

## Mr Wilson will ask employers to strengthen social contract

The Confederation of British Industry will be asked after the election, if Labour wins, to have talks with the Government with a view to strengthening the Administration's understanding tomorrow, he will invite leaders of all other parties and groups in the Commons to meet him to formulate his financial policies.

## Pact 'goes far beyond the industrial scene'

Paul Routledge, Labour Editor, said that the social contract, which was not just with the unions but with the whole of industry, if Labour was returned to power, he would want to see it strengthened. His comments came in a column in the *Times* on measures Labour might take to involve employers in a social contract. Speaking shortly after Mr Heath had promised talks with the TUC and the CBI if the Conservatives won the election, he repeated his belief that the understanding between the two sides of the labour movement had social implications that went far beyond the industrial scene. It was a contract, he said, which was "useful" to the country. Leaders of the CBI have welcomed the wage restraint provisions of the social contract, have expressed strong disapproval of the Government's industrial plans as an unnecessary charge on company costs. However, I understand that the I will respond favourably to

an invitation to early talks with Mr Wilson if Labour forms the next Government. Mr Len Murray, general secretary of the TUC, said at an election meeting in Ilford last night that the "really worrying feature" of the past two weeks had been the readiness of some politicians to discredit the social contract without trying to understand it. Mr Wilson's statement to the *Times* said in full: "A few days after the TUC General Council approved the terms of the social contract document, later endorsed by Congress, I chaired the July meeting of the National Economic Development Council. Before we began work on our formal agenda, the president of the CBI asked leave to say a few words. What he did was to congratulate the TUC leaders on their achievement in getting an agreement on the social contract, and he did so in most generous terms. Of course, the CBI have expressed anxieties about how it might work out in particular circumstances, but this was a notable meeting of Neddy which began in that particular way. It will be the intention of the Labour Government to keep the closest possible relationship with our main industrial organizations, particularly

those represented at Neddy through the machinery of Neddy and by direct bilateral talks whenever these are desired. On March 4, when I was asked to form a government, I sent a message that evening within a few minutes of entering Downing Street to both the TUC and the CBI asking them to come and meet my colleagues and myself the following day. I have, of course, had further meetings and so have all my economic colleagues in the Cabinet. I have made clear throughout this election that I regard the social contract as not just with the trade union movement. It is with the whole of industry. Of course, its social implications go far wider than the industrial scene. When I have referred to it being a contract with all the 'useful' people in the country, I have specifically defined this as everyone at all levels and on both sides of industry, and also those who have any capacity in the services necessary for the wider community. This is our attitude and which the election I would hope to strengthen it not only by meetings at top level but in all our policies and actions throughout the regions and at local level.

Mr Murray, speaking at the Ilford meeting about the social contract, said that the Conservatives were offering the country a hastily dreamed-up formula for getting all the top people into a television studio for a jumbo-size chat show. "Where is the evidence, supposed to get Britain, into the Guinness Book of Records?" He added that the social contract was not perfect, but it was the best instrument available for containing inflation and for laying the foundations for economic progress and social equity. "It offers us the best chance of national unity in action: in action, not words. It is not a gimmick; it is an investment for the future and it is for everybody because part of its immediate aim is to take the battle against inflation into the workshops and into men's minds as well as into Parliament and government. "We don't kid ourselves that any attempt to beat inflation could be 100 per cent successful, but the driving force of progress and fairness of the social contract is becoming more and more widely accepted among trade unionists. Even the employers were quite impressed with it, until the election began", he added.

## Mr Heath's warning of austerity ahead

John Winder, ghely gave warnings of austerity, gality and sacrifice ahead coupled by Mr Heath yesterday with a call for a sate in which all could fight the re-creation of a united ain. Speaking at Keighley, he drew parallel with the war years said: "We shall be cut- our own throats if we k that collapse cannot hap- here. It can." everyone was saying how e was the present position, how many acted as though y believed it? "I wish I d think that the message I struck home right across land, through all our people, may be the fault of politicians: me if it has not." everyone's language had been right and they might a underestimated people's tion to a challenge, of that usion. Whatever the reason, one g is clear. Not all our fellow ens are yet prepared for t is to come. It will come quickly. Anybody who

imagines that this country is going to live as comfortably in 1975 as it is now at the end of 1974 is living in a world of his own invention. At the very best we are in for hardship. If we make the right choices we may keep it within bounds, but hardship there will be. False optimism was the most dangerous of all states of mind for men in government. People of his age could not help re-membering with a kind of desperate recollection the months before the Second World War when honourable and intelligent men in government had been buoyed up by false optimism. "False optimism blew up in our faces. We were in a war which we won through suffering, bravery, and a measure of luck. We can count on the bravery again and the suffering; we cannot count on the luck. "Labour spokesmen have been calling this a pretty good whole everything is pretty good. They have attempted to organize a consistent cover-up of the truth for electoral purpose. Election news, pages 4 and 5 Columns by Bernard Levin, David Steel, Bryan Magee; and Diary, page 18. Leading articles and letters, page 19

## Saturday talk with all parties if Tories win

By Our Political Staff Mr Heath said yesterday that, on the assumption that he wins a majority in tomorrow's general election, he will invite the leaders of all other parties and groups in the House of Commons to meet him on Saturday to hammer out a policy for the crisis that threatens Britain. He had in mind a government of national unity. At his campaign conference in London yesterday he presented his agenda for coalition. Earlier, Mr Thorpe, the Liberal leader, hedged, knowing that on Sunday he will have to face a recalcitrant rank and file before he commits himself to any coalition. After Mr Heath had spoken, Mr Wilson made clear that condition is not for him; he has no intention of modelling himself on Ramsay MacDonald in 1931. As Mr Wilson said, Mr Heath's proposal had to be seen as a gimmick to salvage the Conservatives' electoral prospects. Mr Heath said he was bringing forward "the crisis agenda for action after Thursday. With a Conservative majority, and unless he has a majority the initiative will not lie with him, he said: "I will invite the leaders of the other parties to see me on Saturday and I will publish without delay the best

forecast we can produce of what looks like happening to Britain this winter and next year. At this meeting we shall start the process of hammering out a common policy for the crisis: for industry, agriculture, and wages. Leaders of the CBI, TUC, farmers, retailers and consumer groups will be brought in early next week. As Mr Heath sees it, the heads of agreement are clear: 1 Ways of surmounting scarcity in food supplies and restoring cash to agriculture. 2 The beginning of the Conservative price stabilization programme based on agreement with all the interest groups concerned, including a return to the search for voluntary agreement on pay. 3 Conservatives would propose the creation of machinery to deal with relativity problems. 4 They would propose ways of getting the housing industry back on its feet. 5 They would begin the introduction of the Conservative income protection measures, including the 94 per cent mortgage for would-be homeowners, six-monthly pension review, action to help ratepayers, and measures to protect small savers. 6 Conservatives would put an

## Foot bows to ion pressure r Thorpe says

Christopher Walker, an attack on the "so d" social contract, Mr pe last night accused Mr Secretary of State for loyment, of bowing to pressure from powerful trade dressing rallies in two markers, the Liberal r declared that there were any interpretations of the act as there were ministers e Cabinet. Some ministers e contract included yers, but Mr Foot had adamant that it did not. apparently the Ford settle- which averages 38 per increases over two years, thin the social contract, as the BBC settlement, includes increases aver- 20 per cent, is not", Mr e said.

## Prime Minister says to scrap Labour policies would cost families £1 a week

By Hugh Noyes Mr Wilson claimed last night that to abandon Labour Government policies on subsidies and price controls would cost the average family £1 a week. He was speaking in Rochester and Chatham, where Mrs Peggy Fenner, former shoppers' watchdog in the last Conservative government, clings to a majority of 843.

To drop Labour's policy now, the Prime Minister said, would mean suffering for the badly-off families, the pensioners and all those for whom the basic subsidised foods formed a large part of the household budget. The immediate rise in prices that would follow if a Conservative government reversed what

Labour had done would be more than most family budgets could bear. He claimed that the Labour Government had succeeded in cutting the rise in the food price index by 6 to 8 per cent. "On subsidies alone", he said "the steps taken by Labour will soon be worth 75p a week to the average family of four. For the old age pensioner couple the saving is about 45p a week on top of the biggest ever increase in the pension. The result of all these measures is that the increase in food prices has been cut by nearly a half. Price rises are slowing down." It was Mr Wilson's most successful meeting of the campaign. He did not say anything very

## Photofit pictures of girls in pub bombings

Photofit pictures of two girls were issued last night by detectives investigating the Guildford public house bomb attacks. The girls had been in both the Horse and Groom and the Seven Stars, chatting to soldiers shortly before the bombs went off. The first was described as 5ft 6in tall, about 25 years old, with long blonde hair, possibly dyed, heavy make-up, and wearing a light-coloured jacket. The second girl was 5ft 8in tall, possibly 22 years old, with long, dark hair and a round face, she was wearing a sweater with coloured stripes. Mr Christopher Rowe, Assistant Chief Constable of Surrey, who is leading the search for the bombers, said that 10 minutes before the blast the girls were sitting in the snug at the Horse and Groom, where the bomb went off killing five people. He added: "They were chatting to the soldiers and had been mentioned to us by two or three different people who were in there. Two girls of the same description were seen by several people down in the Seven Stars."



The police were satisfied they were not members of the WRAC who were there, most of whom knew each other. The two girls seen hurrying through an alley near the two public houses, whose descriptions were issued, have been eliminated from the inquiries, Surrey police said yesterday. The father of the girls, who are sisters, had got in touch with them and they were satisfied that the girls had nothing to do with the bombings. They had not been in either public house. The police also said that inquiries had also eliminated several local people.



Boston race riots: Mr Jean Louis André, a black parent, trying to escape from a white mob in Boston on Monday, after he was dragged from his car and beaten while driving to pick his daughter up from school. The mob turned on the police and fought a pitched battle before he was rescued. Yesterday Mr Kevin White, the Mayor of Boston, appealed to the Federal Government to send United States marshals to help his police force control the continuing violence.

## Warders get 18 months for killing S African

From Our Correspondents Cape Town and Johannesburg, Oct 8 There is to be an official inquiry into the South African Prisons Department after a judge's complaints of torture and "barbaric" assaults on prisoners in a Transvaal jail, revealed during the trial of five warders. Mr J. T. Kruger, the Minister of Justice, said in Cape Town today he had called for the complete record of the case and would decide on the scope of the investigation after studying the record. Three warders at the Leeuwkop jail, two whites and a black, were jailed for 18 months while another white was given a year's jail with sentence suspended. A second black was given a six-month suspended jail sentence. They had been found guilty of assaulting two prisoners, one of whom died.

Mr Justice Hienstra, said in the Rand Criminal Court in Johannesburg before he announced sentence that the assault was "barbaric, cruel and inhuman". As he announced the punishment of about 150 people, mostly blacks, in the public gallery whistled, hissed and shouted "They should rot in jail." Outside the court a young barrister quivering with emotion said: "This makes a complete mockery of human life. To give a man a suspended sentence on a charge like this is preposterous. It is unbelievable." Mr Justice Hienstra said the trial had revealed "serious evils in the prisons department." Last week the South African Government announced that there is to be a special commission of inquiry into the country's penal system but excluding study of the retention of the death penalty. The Johannesburg Star said

in an editorial today: "The secrecy of the Prisons Act with its draconian provisions and penalties makes it impossible for newspapers or anyone else except a judge in his court and parliament itself to launch a serious and factual inquiry into the conditions in South Africa's over-filled jails. "This Act, supposedly to protect prisoners, has turned out to be their worst enemy. The Minister of Justice, taking cognisance of Judge Hienstra's findings, and many other allegations of brutality made in different courts, should ensure they are part of the commission's brief and should also reconsider the working and application of an Act whose secrecy provisions protect prison bullies rather than the prisoners." Mr Justice Hienstra said in his judgment: "No one was so naive to believe that the series of assaults in the prison were an isolated instance. Had one prisoner not died there would have been nothing disclosed outside of the prison walls." Although there was no proof of the theft the two men had been "mercilessly assaulted." The African who died, Mr Lucas Khoarape, aged 29, had been suspected of stealing 60 rand (£38) at Leeuwkop prison near Johannesburg. Medical evidence was that he died from heart failure caused by bruising of the heart through baton blows and kicks. He had two broken ribs and other injuries including "tram line" marks on his chest due to baton blows. The judge said there had been a quite hopeless and incompetent investigation of the alleged theft. "The baton must fix everything", he said. "For intelligent detective work they have no time nor interest."

## Peace prize for Japanese and Irish statesman

From Our Correspondent Oslo, Oct 8 The Nobel Committee of the Norwegian Storting (Parliament) today awarded the Nobel Peace Prize for 1974 to Mr Eisaku Sato, of Japan, and Mr Sean MacBride, of Ireland. A brief statement said that the award to Mr Sato was for his policy of reconciliation between the nations of East Asia and for his consistent fight against atomic weapons. Mr MacBride, a former Irish Foreign Minister, received the award in recognition of his struggle for human rights. He is now United Nations Commissioner for Namibia. Photograph, page 6

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## o polls show Labour lead

our have a 14.5 per cent according to a National n Poll in today's Daily r shows that 45.5 per cent ple intend to vote Labour, onservative, and 19.5

## loonists die 1,500ft fall

experienced balloonists n Birmingham yesterday air balloons were caught bulence at about 1,500ft egan to lose height, before it hit the t lost air completely. dead men were Mr 1 Adams, aged 26 of mpton, the British and 1 balloon champion, and chael Sparks, aged 36, of nb-1.



Membership of that committee gives a strong pointer to

After several days of negotiations under the auspices of the Government's Conciliation and Arbitration Service, had ended yesterday, the National Union of Journalists agreed to

Teachers led two hundred children to safety as fire swept through a corridor at Princess Frederica School, Purves Road, Willesden, yesterday.

Attempts over the past two years to achieve a productivity deal of the kind the militants now insist on have failed.

put the offer to union office branches, of the companies concerned. Provisional acceptance of the deal came after the Independent Television Companies Association, representing the employers, had also agreed to a further review of journalists' salaries on an individual basis.

Although most journalists are expected to accept the offer today, staff at Ulster Television in Belfast are likely to hold out for extra "danger money" because of the exceptional hazards of news reporting in Northern Ireland.

## describes metery

Mr White told the jury that he and the others, including Mr Whitaker, were touring derelict houses in the area looking for somewhere to hide stolen property. They went into the graveyard at Mr Quinn's suggestion, and he suspected that Mr Quinn might have been caught on acid " (LSD). Mr White said Mr Quinn was walking ahead with Mr Whitaker when he heard a gun "go off like a cannon"; Mr Whitaker slumped to the floor and was murmuring, holding his hand to his head. "Quinn loaded the gun and shot him again when he was on the floor," Mr White said.

They returned to the graveyard later, by which time Mr Whitaker was dead, and moved his body. Mr Dalton, who had nothing to do with the shooting, helped because he told him to. Mr White said he dug the grave and put the body in. The trial continues today.

It was worried about people wanting to call their families on Christmas Day but who would not be able to transfer the charge.

In a separate but parallel dispute last week, 80 journalists employed by Independent Television News in London ended a three-day strike when they accepted a pay offer of 19 per cent, but with additional improvements in fringe benefits after the return to work. ITN's provincial journalists decided not to renew their strike.

The National Union of Journalists said yesterday that the television companies' offer still left a considerable gap between Independent Television and BBC journalists' salaries.

# Vice list 'in wardrobe of police chief'

A file listing establishments used for prostitution and gambling was found in a wardrobe at the home of Peter Godber, the former Hongkong police chief superintendent, it was alleged at Bow Street Magistrates' Court yesterday.

The allegation came in an affidavit read at the extradition hearing before Sir Frank Gifford, the Chief Metropolitan Magistrate. The Hongkong Government seeks Mr. Godber's return for alleged corruption in accepting a bribe to promote a Chinese police officer.

Mr Christopher French, for the Hongkong Government, read an affidavit by Supt Robert Irvine, of the Hongkong Anti-Corruption Commission, which referred to the finding of 1000 dollars in Godber's wardrobe at Hongkong after a search warrant had been issued.

One file, it was stated, had a list of illegal establishments with prefixes initials denoting the type of crime involved. "DD" denoted dangerous drugs; "W" women and juveniles; and "FR" female

There were also references to Chinese gambling and apartments used for casual prostitution.

W and J indicated females, and particularly young ones, available for prostitution and indecent acts. DD indicated places where heroin and opium are available for consumption.

B was a female-operated bar-  
ber's shop and coffee shop  
operated by scantily clad women  
where various forms of in-  
cency were carried out for  
payment. There was also a refer-

The affidavit said that police inquiries into sources of income of both Mr Godber and his wife, Jean, had failed to disclose any other sources than Mr Godber's salary.

Mr. Anthony Scrivener, representing Mr. Godber, said yesterday that he would have to apply for a further adjournment of the case because of a matter that had "arisen over-

ere still awaited from serving officers in the Hongkong police. Mr Godber, aged 52, of The Outrage, Iden Lock, near Rye, Sussex, returned to Britain last

Later Mr Scrivener, spoke two files on a posting conference in Hongkong concerned in the appointment as divisional superintendent of Mr

One of the files had "gone missing in London", he said. It gave the history of the posting of Mr Cheng. Mr French said it would not be a check in anyone's name.

Mr Scrivener read an affidavit by Mr Russell White, former Assistant Commissioner Hongkong Police, living in

He stated that Mr Edward have, as assistant commissioner, establishments branch, is the key man to decide post-  
s. He added: "It is nonsense suggest that Mr Godbar was

The hearing was adjourned to date to be fixed. Meanwhile Mr. Godber, who is in command

Godber, who is in custody, will have to appear weekly in court. He will appear for formal remand tomorrow.

London wine waiters and waitresses showing their skill in a race over 100 yards in Lincoln's Inn Field yesterday. The full, opened bottle of wine and four glasses on each tray were supposed to arrive at the finish intact (Diary, page 18).

**Mr Jenkins denies that Pri**

Bar, but both were noticed by customers though there was no warning. They caused only minor damage. But explosives placed beside Lipton's super-

The councils must have sufficient information from inside the health service if they were to function properly.

## Printing union talks adjourned

**lings**

**NOON TODAY**

Channel, Irish Sea: Wind N, fresh  
or strong: sea moderate or rough

**Yesterday**

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am. 10°C (50°F)

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Mr Arthur Flicker, their spokesman, said they had voted to return to work to assist in	from its workers that would follow freely negotiated increases.	<table border="1"> <tr><td>Paris</td><td>1 17 32</td><td>Heidelberg</td><td>1 21 70</td><td>Maria</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Birmingham</td><td>1 17 32</td><td>Helsinki</td><td>1 21 70</td><td>Vienna</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Bristol</td><td>1 17 32</td><td>London</td><td>1 21 70</td><td>Winnipeg</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Cardiff</td><td>1 17 32</td><td>Manchester</td><td>1 21 70</td><td>Zurich</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Edinburgh</td><td>1 17 32</td><td>Nottingham</td><td>1 21 70</td><td>Amsterdam</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Glasgow</td><td>1 17 32</td><td>Sheffield</td><td>1 21 70</td><td>Brussels</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Leeds</td><td>1 17 32</td><td>Trondheim</td><td>1 21 70</td><td>Copenhagen</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Liverpool</td><td>1 17 32</td><td>Umea</td><td>1 21 70</td><td>Dublin</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Manchester</td><td>1 17 32</td><td>Umea</td><td>1 21 70</td><td>Geneva</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Newcastle</td><td>1 17 32</td><td>Umea</td><td>1 21 70</td><td>London</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Nottingham</td><td>1 17 32</td><td>Umea</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Sheffield</td><td>1 17 32</td><td>Umea</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Stockholm</td><td>1 19 36</td><td>Umea</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Trondheim</td><td>1 21 70</td><td>Umea</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Umea</td><td>1 21 70</td><td>Umea</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Winnipeg</td><td>1 21 70</td><td>Umea</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td><td>Stockholm</td><td>1 19 36</td></tr> <tr><td>Zurich</td><td>1 21 70</td><td>Umea</td><td>1 21 70</td><td>Stockholm</td><td>1 19 36</td><td>Stockholm</td><td>1 19 36</td></tr> </table>	Paris	1 17 32	Heidelberg	1 21 70	Maria	1 21 70	Stockholm	1 19 36	Birmingham	1 17 32	Helsinki	1 21 70	Vienna	1 21 70	Stockholm	1 19 36	Bristol	1 17 32	London	1 21 70	Winnipeg	1 21 70	Stockholm	1 19 36	Cardiff	1 17 32	Manchester	1 21 70	Zurich	1 21 70	Stockholm	1 19 36	Edinburgh	1 17 32	Nottingham	1 21 70	Amsterdam	1 21 70	Stockholm	1 19 36	Glasgow	1 17 32	Sheffield	1 21 70	Brussels	1 21 70	Stockholm	1 19 36	Leeds	1 17 32	Trondheim	1 21 70	Copenhagen	1 21 70	Stockholm	1 19 36	Liverpool	1 17 32	Umea	1 21 70	Dublin	1 21 70	Stockholm	1 19 36	Manchester	1 17 32	Umea	1 21 70	Geneva	1 21 70	Stockholm	1 19 36	Newcastle	1 17 32	Umea	1 21 70	London	1 21 70	Stockholm	1 19 36	Nottingham	1 17 32	Umea	1 21 70	Stockholm	1 19 36	Stockholm	1 19 36	Sheffield	1 17 32	Umea	1 21 70	Stockholm	1 19 36	Stockholm	1 19 36	Stockholm	1 19 36	Umea	1 21 70	Stockholm	1 19 36	Stockholm	1 19 36	Trondheim	1 21 70	Umea	1 21 70	Stockholm	1 19 36	Stockholm	1 19 36	Umea	1 21 70	Umea	1 21 70	Stockholm	1 19 36	Stockholm	1 19 36	Winnipeg	1 21 70	Umea	1 21 70	Stockholm	1 19 36	Stockholm	1 19 36	Zurich	1 21 70	Umea	1 21 70	Stockholm	1 19 36	Stockholm	1 19 36
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## HOME NEWS

### Vice-chancellor calls for government aid in finance trouble

From Our Correspondent Oxford

Mr H. J. Habakkuk, Vice-Chancellor of Oxford University, gave a warning yesterday that if the Government did not make up the money it had lopped off spending on higher education in 1974-75 because of inflation there would have to be more permanent cuts in university activity.

"The financial position of all universities is very grave", he said in his speech to Congress, the dons' "parliament", at the start of his second year of office.

Oxford would have a deficit on the year's working of £390,000, which might be increased when a settlement was reached with the 1,600 non-academic staff in accordance with the social contract, something any employer would wish for its staff.

Universities had none of the means available to other employers to meet wage claims.

"We cannot increase our fees or prices, we cannot put up rates, we have lost the assurance of an additional Exchequer grant", he said. "It is a situation in which the universities find 'free collec-

tive bargaining' a very unreal and difficult concept."

There was no assurance about the financial future, and the last two years, 1973-74 and 1974-75, of the present five-year period over which the University Grants Committee allocates money to universities, were shrouded in uncertainty, because the result of a recalculation of the grant was not likely to be known until February.

Oxford could not continue to run a deficit of £390,000, or any deficit at all. It must be eliminated. The vice-chancellor called for the present quinquennial system of grants to be continued because that allowed the universities flexibility.

He said the effects of the cut in grant at Oxford would be a significant reduction in expenditure in 1974-75 and the abandonment of further developments, with the exception of the Clinical Medical School, although none of the development planned over the five years ending in 1977 had been achieved.

A moratorium had been imposed in filling nearly all academic posts and now there were 40 or more in limbo. Any further cuts would inflict very severe damage on the central purposes of the university, the vice-chancellor said.

### Sit-in over students' right to pick secretary

By Our Education Correspondent

About six hundred students from Warwick University occupied the university's new film arts centre yesterday, two days before its official opening, because of a dispute with the university over the appointment of a permanent secretary of the students' union.

The union has appointed Mr Jeff Stanforth, aged 29, former treasurer of the National Union of Students and a member of the Communist Party. The post carries a salary of between £3,500 and £4,800 a year. The person appointed was to be responsible both to the university and the students' union.

But the university representatives and the union officials on the committee making the appointment disagreed after two rounds of interviews on the candidate most suitable for the job.

This week the university put restrictions on £6,000 worth of union funds. One of the restrictions was that no money should go towards the salary of Mr Stanforth.

Mr Michael Shattock, the university's academic registrar, regretted the occupation as a needless intensification of the dispute. The senate was to be asked to meet today to discuss it.

### Cost increases threaten school books

Steps must be taken to avoid a serious shortage of school books, the Educational Publishers' Council said yesterday. Rising costs of paper and production in the past 18 months had made the situation serious and publishers faced sudden cost increases.

The situation might soon become acute, the council said, because local authority figures showed that expenditure on teaching aids will increase more slowly than in previous years.

"Not only does this mean that schools will find it more and more difficult to equip themselves with the learning resources they need, but more particularly, they will be unable to exploit new books

### Scottish teachers' dispute affects 40,000 children

From Our Correspondent Port Glasgow

Almost 40,000 children were affected yesterday by a one-day unofficial strike of Scottish teachers who are demanding an immediate pay rise of £15 a week.

A mass meeting of 1,351 teachers from 41 primary and secondary schools in Glasgow, Lanarkshire, Dunbartonshire and Renfrewshire held in Glasgow yesterday decided that a delegate from each school should attend a meeting in Glasgow on Friday night to press the demand.

More than two thousand secondary school teachers were on strike in Glasgow alone, where already almost 15,000 pupils in 20 secondary schools

have been receiving part-time education. An official could not say how many children had been sent home yesterday.

The teachers, who were led by an unofficial action committee, are members of the Educational Institute of Scotland, representing more than four fifths of the teachers in Scotland; the Scottish Secondary Teachers' Association and the Scottish Schoolmasters' Association.

Mr Frank McGurk, leader of the action committee, said it was felt that the three unions were out of touch.

The action committee has rejected the EIS demand for an interim increase of 10 per cent backdated to last May 24.

### Trawler was probably unstable on crest of wave before capsizing, expert says

From Our Correspondent Hull

The Hull trawler Gaul was probably in an unstable condition and on the crest of a 45ft wave when she began to skid like a car before capsizing, the department of Trade inquiry in Hull into the loss of the vessel was told yesterday.

The opinion came from Mr Allan Gilfillan, a consultant naval architect, who had prepared calculations on the probabilities of the cause of the disaster. Whatever happened to the 1,106-ton Gaul with a crew of 36, in an Arctic gale off Norway last February happened suddenly and there could have been no time to send a distress call, he said.

Her unstable condition could have lasted only a moment but other factors could have led to her foundering from an excess of water on

the trawl deck. She would have lost course-keeping ability as her nozzle rudder broke free of the water and she broached the weather.

"Broaching is like a car skidding," Mr Gilfillan added. "The bow and stern are waiting to accelerate in opposing directions. The stern would be attempting to accelerate due to gravity or as the waves pushed it along."

One additional circumstance could, in combination with other conditions, be of significance in creating a new situation and it may well be that snow obscured the seas from those on the bridge and a new wave condition was not noticed.

"This vessel could have been balanced statically at a particular moment in time and our calculations were based on this condition."

In some conditions, he said, water in the factory space would not be noticed, but if the vessel was pitching and rolling those on the bridge would feel it.

It would take time for the water to build up but eventually it would affect the stability of the vessel.

Mr Gilfillan said the Gaul was well above the minimum international safety recommendations. Answering Mr Geoffrey Brice, for the Department of Trade, he said he would not like to put more emphasis on any one of the possibilities that had been put forward to account for the loss of the Gaul than on another.

"We are in the realms of conjecture, and to speculate any further would be to speculate on speculation", he added.

The inquiry continues today.

### Borstal for girl who blackmailed former employer

From Our Correspondent Liverpool

Elizabeth Julia Freeborn, 17, a shorthand-typist, could not afford £3 a week out of her £18 wages to keep her horses on a farm in Cheshire, so she thought up a plan with her boy friend to blackmail her former employer for £10,000. It was stated at Liverpool Crown Court.

Miss Freeborn, of Church and Woolton, Liverpool, was found guilty of two charges of blackmail and was sent to borstal. George Halsall Segar, 27, a sales coordinator, of 10, Clive, Croxeth, Liverpool, pleaded guilty to both charges and was jailed for 30 months, concurrent on each.

### Government inquiry into Scots geriatric care urged

From Our Correspondent Edinburgh

A call for a government inquiry into geriatric care in Scotland's older hospitals was made yesterday by Mr Ronald King Murray, QC, Lord Advocate in the last government. Mr King Murray, who is the Labour candidate in Edinburgh, Leith, has made the suggestion in a letter to Mr Ross, Secretary of State for Scotland.

He said at a press conference in Edinburgh that his proposed inquiry should examine the broad picture of geriatric care, including some of the issues raised during the trial of Sister Jessie McTavish

in the High Court in Edinburgh, which ended on Monday.

During Sister McTavish's trial, certain of the evidence had referred to staff shortages in geriatric wards at Ruchill Hospital, Glasgow. Mr King Murray said, and had shown the strains under which the hospital staff had been working.

In one Edinburgh hospital on the north side of the city, there were 97 geriatric beds to serve an area where there were 460 old people. One doctor had estimated that there should be at least a hundred more geriatric beds if the area's needs were to be properly served.

### Coal research to double in five years

Pearce Wright

Coal research in Britain could double over the next five years with effort directed mainly to coal use and better mining processes. Research into use of coal covers a range of diversion techniques, costing over £2m a year, and is supported by the European Coal and Steel Community. Some of the techniques are ready for development into large-scale operations.

Experiments on fluidized combustion for getting maximum heat energy from coal have reached a stage where a generating station of 20 megawatts has been planned. Two other high-priority projects include the liquefaction of coal and a special solvent extraction method, and pyrolysis.

The solvent extraction scheme could lead to a substitute for a raw material of chemical process lines. There is, however, interim target to use extracts in making carbon materials. The governments of most of the big coal-producing countries, including those of Europe, North America, South Africa

and Australia, are expanding research to help to increase mining and to develop more efficient methods for burning coal or converting it to industrial raw materials. The extent to which plans presented over five or six years ago by economists, engineers and scientists in the industry are being seized to soften the impact of oil price increases is being discussed at a meeting in London of the International Committee for Coal Research.

Experts from eight countries presented their revised plans after the 1973 energy crisis. Britain emphasizes the need for collaboration in Europe and has shown willingness to share expertise.

Dr H. Messerschmidt, of Ruhrkohle AG, underlined the importance of coal to maintain security of supplies in key sectors such as electricity generation and steel-making. Although the speed of the German coal industry was not discussed in detail, he indicated that the improvement in the competitive position of coal because of the uncertainty of energy supplies at reasonable prices was being

exploited as much as possible. There was concern that output for the first six months of this year had not come up to expectations; it was over 6 per cent below the output for the corresponding period in 1973. The fall was attributed mainly to a reduction in manpower after changes adopted at the beginning of last year and to a fall in output caused by technical mining difficulties. Undistributed stocks had been declining rapidly.

Dr E. Gartner, of Rheinische Braunkohlenwerke AG, indicated that the Germans were relying heavily long-term on nuclear energy for generation of base-load electricity with brown-coal plant for medium load stations. A high proportion of brown-coal output, therefore, would be available for producing gas, coke for electrochemical purposes, fertilizers, industrial feedstocks and other materials.

Mr F. Pot, director of technical services, Charbonnages de France, said France imported 32 per cent of her coal so research stimulated by the energy crisis included concentration on conserving heat.

## Quick Gate Check-In. Makes a European Superflight faster on the ground.

If you're off to Europe on business from Heathrow and you've no heavy baggage, speed straight from your car through passport control and security...



...don't check in till you get to the departure gate.



Quick Gate Check-In is one of the things that make a Superflight super. And only British Airways has it. Ask your travel agent.

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airways**  
We'll take more care of you.



## GENERAL ELECTION

## Challenge by Mr Prior on 'threat' of strikes

By Our Political Staff

Mr Prior, shadow Secretary of State for Employment, yesterday challenged Mr Wilson to name the trade union leaders who would strike specifically against the Conservative policies set out in the manifesto.

"Who would vote", he asked, at the Conservative campaign conference "against a democratically elected government of national unity?" Mr Wilson and Labour were trading on the fear that the unions would obstruct a Conservative government.

Mr Prior cited constant threats that to vote Conservative was to vote for a three-day week and industrial chaos in the winter, although Mr Len Murray, general secretary of the TUC, had totally repudiated that.

When challenged to provide chapter and verse, Mr Prior mentioned a speech by Mr Wilson on October 6 in Leith when he alleged the Prime Minister spoke of conflict.

Mr Wilson threw back Mr Prior's challenge and asked him to withdraw it. He said that he had not spoken in Leith on such a date. The date was wrong and the statement was wrong.

Mr Carr, shadow Chancellor of the Exchequer, left little doubt in his speech at Peterborough last night that the Conservatives would introduce their first Budget by November.

"It is now clear", he said, that the next Chancellor will have to take urgent action this autumn. Straight away we need economic measures designed for people.

Lord Carrington, former Conservative Party chairman, asked last night on BBC2 if Mr Heath should offer to stand down as leader of the party in order to facilitate the formation of a coalition. "The one thing I do know about Mr Heath is that he would never put his own personal interests before the interests of the country. But that does not imply anything. I happen to think that Mr Heath is the one political leader of the three being offered to us with the guts, the resolution and the capacity to get us out of our difficulties."

Sir Keith Joseph, shadow Home Secretary, said in Leeds that Labour's policy of reflation, printing even more money at a time of high inflation, would inevitably cause mass bankruptcies and unemployment.

## Election notebook

## Mr Wilson is not yet secure

It is widely assumed that Labour is going to win the election. How sound is the assumption?

If everyone entitled to vote were to do so tomorrow in accordance with the intentions suggested by the opinion polls Mr Wilson would be secure: there might even be a Labour landslide. But Mr Wilson is not yet secure because neither he, nor anyone else, can tell what people will decide in the last hours of the campaign and actually do at the only poll that ultimately counts.

The Labour Party still has reasons for anxiety. They may be expressed in three suppositions. First, some apparent supporters will change their allegiance at the last minute. Second, a good many among the unusually high number of professedly uncommitted electors will vote other than Labour or not at all. Third, the Labour faithful, taking victory for granted (and encouraged to do so by the opinion polls), will not turn out in sufficient force to ensure.

All these possibilities, but especially the last, together with the probability of a heavy turnout of "traditional" Conservatives (however estranged or disaffected some may have been, and whatever their reservations about the party's leadership or policies), represent an undeniable danger to Labour. Mr Wilson knows it—nobody better. He knows, moreover, that the Scottish Nationalists are likely to rob him of at least half a dozen seats.

Mr Wilson's tenure of office as Prime Minister is not assured. He could still be dislodged if "everyone" of anti-Labour inclination did vote and a substantial number of his own followers did not.

It should not be forgotten (but too often is) that even with all the drama of the last election Labour's share of the poll, 37.1 per cent, was the lowest since 1931. Can Labour be expected to equal or exceed that tomorrow, without the challenge of February, the spur of the three-day working week accompanying blackout and so-called confrontation? Mr Wilson cannot feel sure.

On an objective reading, the Tories could win if enough of the recent dissidents were to swallow their doubts and vote Conservative in that simple truth lies hope for Mr Heath. In the event of a really serious defeat he would probably feel impelled to resign the party leadership at once, almost overnight. No informed Conservative can contemplate that possibility with anything but dismay. Sentiment apart, his parliamentary colleagues include as one of their comparable political stature—and they all acknowledge it—Mr Heath's short-comings, real or imagined. The Tory Party would be in poor shape without Mr Heath.

For Mr Wilson, defeat would be a disappointment but not a personal disaster. His length of service as Prime Minister (this is his third administration) by now sufficiently outstanding for him to be able to retire in a reasonably good hour. There would be no occasion for despair.

Mr Powell's task in Down, South, is not merely to win—that is taken for granted in a constituency where the loyalists are a clear majority. He wants to maximize the Unionist vote to demonstrate that as an outsider he is accepted here and to show Westminster the force of his cause.

As he moves with unflagging energy through the large rural constituency, Mr Powell, concentrating exclusively on the fight to remain British, he mentions the problems of inflation and the EEC in his letter to electors, but at meetings he has no time for these issues. The loyalist electors want to know how he is going to save the union, how he is going to prevent them being sold to the republic. They want to remain British, but as yet they cannot be bothered about Britain's troubles.

Although he has strongly espoused the Ulster cause, there is still a certain suspicion about his motives, and as he explained at his press conference on Monday his political ambition is still intact. "He is using us but we are using him", a Unionist politician said.

However out of place the voice sounds, it is no more incongruous than several other features of the ninth election campaign of Enoch Powell. He has a personal police guard accompanying him everywhere.

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## George Hutchinson

## Fight for the 39 vital marginals: Part 15

## Hemel Hempstead

## Description

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Many other towns in Britain can look with envy at Hemel Hempstead, the facilities and amenities of which make it a highly desirable place for the family man. Its College of Further Education has 6,800 students while the 22 schools provide 9,180 places.

## Assessment

If the opinion polls are accurate, then the Conservatives are in danger of losing this very marginal seat for the first time since the 1920s. The influx of a large working-class population with the expansion of the town in the 1950s and 1960s did little to affect the Conservative majority and Mr Allison held the seat in 1970 with a majority of 13,000 votes.

## Middleton and Prestwich

## Description

This constituency, which really should be called Middleton, Prestwich and Whitefield, contains a bit of almost everything which makes up the pattern of urban life in the North-west.

There are several large overspill housing estates, including Langley on the edge of Middleton, which houses about 17,000 people, most of the adults being fairly predictable Labour voters.

There are large acreages of owner-occupied property, many of them at the Prestwich and Whitefield ends of the division, forming long-established Jewish communities.

Industry is mixed. Middleton was once a textile town but is no longer in any way dependent upon the vagaries of the cotton trade. It is a little difficult for the visiting motorist to know when he is in Middleton, Prestwich or Whitefield, or indeed when he may have strayed over the border into the Bury and Radcliffe or Heywood and Royton constituencies.

The seat was safely Conservative with five-figure majorities until 1959, when the Langley estate was created for people moved out of Manchester slums and since then it has changed hands frequently with Mr Callaghan (he is known in local circles as "Our Jim" and certainly not as James Callaghan the Lesser) winning it back for Labour in February by 517 votes.

All three towns, which are really contiguous in terms of bricks and mortar, have recently been smartened up with new shopping precincts and other facelift operations.

## Farmers demand pledge on cattle prices

By Hugh Clayton

An immediate pledge of a guarantee to protect farmers from plunging livestock prices was demanded from the Prime Minister yesterday by Sir Henry Plumb, president of the National Farmers' Union. He said that Mr Fearn, Minister of Agriculture, had said in July that he would act if it returned to be producers fell below £13 a live cwt.

"Prices are below even this level and the minister's slaughter premium payments are inadequate to redress the situation."

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There are large acreages of owner-occupied property, many of them at the Prestwich and Whitefield ends of the division, forming long-established Jewish communities.

Industry is mixed. Middleton was once a textile town but is no longer in any way dependent upon the vagaries of the cotton trade. It is a little difficult for the visiting motorist to know when he is in Middleton, Prestwich or Whitefield, or indeed when he may have strayed over the border into the Bury and Radcliffe or Heywood and Royton constituencies.

The seat was safely Conservative with five-figure majorities until 1959, when the Langley estate was created for people moved out of Manchester slums and since then it has changed hands frequently with Mr Callaghan (he is known in local circles as "Our Jim" and certainly not as James Callaghan the Lesser) winning it back for Labour in February by 517 votes.

All three towns, which are really contiguous in terms of bricks and mortar, have recently been smartened up with new shopping precincts and other facelift operations.

## Farmers demand pledge on cattle prices

By Hugh Clayton

An immediate pledge of a guarantee to protect farmers from plunging livestock prices was demanded from the Prime Minister yesterday by Sir Henry Plumb, president of the National Farmers' Union. He said that Mr Fearn, Minister of Agriculture, had said in July that he would act if it returned to be producers fell below £13 a live cwt.

"Prices are below even this level and the minister's slaughter premium payments are inadequate to redress the situation."

There are army and RAF interests in York, where Conservatives have 831, and in Pembroke, where they have 1,479. There is a small defence contingent near Carmarthen which has a Labour majority of three.

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**Conservative**  
James Allison (61), first elected in 1959, has successfully defended the seat five times. Regular Army officer for 22 years, wounded in Burma. Insurance broker and joint chairman of the Association of Councillors, member of the executive of the Inter-Parliamentary Union, chairman of the Anglo-Italian parliamentary group and chairman of the environment committee of the all-party Select Committee on Expenditure in the last two Parliaments.

**Labour**  
Robin Corbett (40), senior labour adviser in the publishing industry. He contested the seat in 1966 and also fought West Derbyshire in 1967 by-election. Lives in the constituency and has fought a local and personal campaign. Married. Former member of the national executive of the National Union of Journalists.

**Liberal**  
Christina Baron (24), the youngest woman Liberal candidate. Married to Mr Alan Butt Philip. Liberal candidate for Wells in Somerset, but campaigns under her maiden name. Teaches sociology at the City University, London, and believes national issues, such as inflation, are the dominant issues.

opposed to internment—could attract Irish votes.

Miss Christina Baron, the youngest woman Liberal candidate, gained 15,000 votes last February and hopes to get more this time by offering the electors a "feasible alternative" to the two main parties. She believes that national issues, such as inflation, are the core of the campaign.

**Labour**  
James Callaghan (47) lives in the constituency. Former lecturer at a Manchester college and member of Middleton Council, serving on the education and industrial development committee. Keenly interested in youth work and sports, being a qualified football coach and referee.



## GENERAL ELECTION

### Mr Thorpe objects further to idea of Tory coalition

By Michael Hatfield  
Political Staff

The Liberal Party placed itself one step further away from a coalition with the Conservatives yesterday with a statement from Mr Thorpe, which was primarily aimed at Mr Heath.

Mr Thorpe told the daily press conference that he thought a coalition was unlikely in the extreme. Mr Heath's conversion, he said, to a government of national unity was a later-day matter and they did not know his policies.

Mr Thorpe added: "It seems rather strange that you invite people to dinner, but you do not order the food first."

He said that Mr Heath had given no clear-cut explanation of his position. His latest explanation was self-contradictory in the extreme. On the one hand he insisted that the country had got to work together to overcome the crisis, but then he blew the gaff by saying that we must have a Conservative majority in Parliament.

With two days to go before polling and the Liberals hoping to bring out their largest vote since the war, Mr Thorpe said: "I would like to know how Mr Heath can reconcile these seemingly contradictory statements. Let me ask him two questions: First, what is his priority at this election: is it a Conservative majority, or a government of national unity? If it is the former then we need go no further. His ideas of involving the other parties and belief in the exercise of power become meaningless, misleading and irrelevant."

Mr Thorpe continued: "But if he states that his priority is to achieve a government of national unity, let me ask him this further question. Is he therefore prepared to support, indeed advocate, the return of a greatly strengthened Liberal Party to the House of Commons in order that the electorate can show that they want to see closer cooperation between all three parties? Mr Heath cannot have it both ways."

Christopher Walker writes from Barnstaple: Determined not to be caught unawares as they were after the last election, the Liberals have already made detailed contingency plans to deal with any political manoeuvrings which ensue at the weekend if no party wins a majority.

Mr Thorpe has indicated that he regards this as the most likely result, and yesterday after completing his 5,000 mile airborne tour of key marginal seats, he returned to Devon where he plans to stay until the weekend. A helicopter will be standing by to fly him to London in the event of a request from either of the main party leaders.

A special meeting of the Liberals' national council has already been scheduled for Sunday in the event of a deadlock at the polls. This has been planned to prevent a recurrence of events after the last election, when party members had no forum in which to put forward their strong views on Mr Heath's suggested coalition.

The council is an influential consultative body, but it has no binding powers on the MPs.

### Puzzlement dominates north of the Thames

By Stewart Tendler

"One becomes so bewildered, I can't bear the thought of nationalization but Wilson has done some good things," a Chelsea housewife told her Conservative candidate last week. In Ilford, a young office worker said: "During the war everybody helped each other, but now everybody looks after themselves."

The housewife will vote Conservative and the office worker Labour, but the puzzlement and the talk of a rush of altruistic adrenalin into the national blood stream are feelings shared by many others in the London constituencies north of the Thames.

The electorate waits, in what has been so far a quiet election, like a canny patient eyeing the doctors carrying out their tests and making their prognoses. The patient is fearful and wants to see some medicine and a cure. Faith in the doctors is not enhanced by their disputes over the cure; some voters complain the politicians still bicker too much.

The 56 constituencies hold 3,180,000 voters in a cross-section spanning 100 miles from the docks and the Ford works at Dagenham. The population works in service and consumer industries or the ring of industrial estates halfway between the centre and the suburbs sprawling by the main arterial roads. The voter goes home to his semi in the suburbs, a council house perhaps in one of the three East End boroughs where there are more municipal than private homes or to flats and bedsitters near the centre.

On the political map, Labour holds much of the centre and the seats along the river, climbing northwards through the suburbs. The Conservative seats run out east and west, apart from the mainly well-heeled enclaves of Westminster, Kensington and the City of London.

In February the Conservatives polled more than a million votes, Labour just over 900,000 and Liberals 445,000. The only by-election fought in Britain since then was in Newham South, a staunch Labour seat in the docks which did its expected duty, although the poll was very low. Borough elections gave the Conservatives a modest success in May.

Those elections may have hammered out many of the local issues, because few have appeared so far. In this final week that situation could change because of the publication of a Conservative manifesto for London. Its implications on the future role of the Greater London Council and housing policy should arouse debate.

In terms of national issues, candidates and agents talk of a suspicious lack of activity from the electorate. Meetings



Mr Peter Shore, Secretary of State for Trade, canvassing in Watney Street, Stepney. His constituency of Tower Hamlets, Stepney and Poplar, which he retained in February for Labour with a majority of 23,330, is one of the safest north of the Thames.

are reasonably, even well attended and yet the parties worry whether people realize the significance of October 10. If the poster battle has any psephological significance then it should be recorded they only appear in any numbers in the commuter belt and marginals.

However, people do realize a crisis exists although its manifestation for them is usually rising prices. "Everything keeps going up", said a housewife in Hampstead. "At the end of the week the buying power has gone down again."

The EEC is rarely mentioned but the social contract has attracted particular attention in areas where Ford workers are interested to see it work because strikes at the plant have closed down their own departments.

Conservative candidates have found themselves asked how they will deal with the unions after the experiences which created the last general election.

A national government is an attractive idea taken with a backward look to the war years, but voters doubt its practicalities. A shopper in Seven Kings said: "If the parties worked together it would work but I don't think they will. They are too dogmatic."

Unemployment and the niceties of monetarism and Keynesianism have not reached most voters. London did not suffer severely in the 1930s and Sir Keith Joseph's warning speech last month has attracted little interest except among some professional and intellectual voters.

Some of the former are still being attracted to the Liberal side. A young businessman explained: "I was a floating voter last time and then voted Lib-



The North London constituencies: shaded areas are held by Labour, white by the Conservatives.

eral. I will again, although I don't know enough about their policies. The two main parties have had a go and nothing has corrected the problems."

The Liberal strength in London has so far remained south of the river. There are 28 Liberal councillors on London council but only three serve north of the Thames, and so the party does not have the advantage of a strong base at a local political level.

In February they reached 27 per cent of the vote in three suburban constituencies and they hope to build on this, with some possibilities in the North-west at Hendon, South. The other two main parties claim they are regaining lost sheep. This may be more important for the Conservatives than for Labour. Last week an evening

paper gave Labour an 11 per cent lead in London. The party cautiously has talked of anywhere between 3 per cent and 5 per cent. It would be enough to sweep through the marginals, which are mostly Conservative.

The rot could begin in Ilford, North, where the Conservatives won with 285 votes, a hiccup on the swingometer of a 0.6 per cent lead. Mr Tom Iremonger would be replaced by Mrs Millie Miller, former leader of Camden council.

Perhaps not surprisingly Mr Heath chose the constituency for one of his rare walkabouts. Housing is a crucial issue in a constituency where the waiting list is over 7,000 and young couples are in difficulties in getting mortgages as well. Mr Heath told party workers to

concentrate on selling the 9½ per cent mortgage plan.

Uxminster is another marginal where the Conservatives got in by 1.9 per cent. Mrs Thatcher was there to reach the couples struggling to keep their semis.

At Brentford and Isleworth the Conservatives won by 1.3 per cent and at Acton by 3.4 per cent. No one is sure of the effect of the Irish vote for Irish Civil Rights Association candidates in Hampstead and Paddington.

The Conservatives make comparisons with 1970. If they are right then Ilford, South, would become theirs and then Ealing, North.

So far it looks to many like a lower turnout than February. Certainly it will be a pessimistic one.

### 1.5m votes will switch come what may

By Professor Richard Rose

About one and a half million votes are sure to switch in this election, even if every elector is of the same mind today as he was in February. Change will occur because of the aging of the electorate and the increase in candidates.

The Liberals are the biggest beneficiaries of change, because they are nominating 619 candidates, 102 more than at the last election. This should attract up to an extra million votes to the party.

Liberals will draw several hundred thousand votes from each of the two major parties, where Liberal supporters formerly voted Labour or Conservative in the absence of a candidate from their first preference party. The extra candidates should also bring votes from several hundred thousand people who abstained in February.

The coming of age of approximately 300,000 young voters will not produce an equivalent number of extra votes, for 18-year-olds are left off the electoral register more often than their elders and are also less likely to vote.

The death of approximately 300,000 electors since February will hurt the Conservatives, because the party appeals most to the 65-plus age group. The net loss will be less than 100 votes per constituency, and highest in such solidly Conservative seats as Bournemouth and Hove.

Up to 5 per cent of the electorate has moved house since the last election. When the move is a short distance a person can return to vote in his old neighbourhood. An elector who has moved further can claim a postal vote.

February vote, adjusted for these changes, would have shown these differences (figures given as percentages):

Party	Feb	Adjusted
Lab	39.2	36.5
Con	37.2	35.9
L	19.3	22.3
Nat, Others	6.2	5.2
Turnout	78.7	75.5

The aging of the electoral register will reduce the turnout by about 2 per cent, even if political enthusiasm remains the same as in February.

The cumulative effect of these changes reduces the vote of the Conservative and Labour Parties by almost three-quarters of a million each and increases the Liberal vote by more than three quarters of a million.

If the Conservative and Labour Parties do not attract additional votes from the third force or from former abstainers, then their combined share of the vote will fall to 72 per cent, the lowest total since 1923. The Conservative share would be the lowest in the party's history and Labour's share would be the lowest since 1931.

### Concorde aid pledged, but sales 'will be needed'

From Pat Healy  
Bristol

Mr Wedgwood Benn, Secretary of State for Industry, yesterday pledged continuing government support for Concorde when he addressed BAC workers at the Filton works where the aircraft is made. But he gave warning that no one could guarantee the jobs without sales of the aircraft.

Mr Lewis Gray, chairman of the BAC joint shop stewards committee, said afterwards that Mr Benn had gone further than before because his pledge amounted to a government commitment to finance production for sale of the aircraft.

Mr Benn told the meeting that a statement made in a local radio interview last week by the Prime Minister was now government policy. Mr Wilson had said: "As soon as we see the hopes for this aircraft

turned into real orders we can then start to expand the programme."

Mr Benn said that all key decisions about Concorde had first to be fully discussed with all those who would be affected by them, especially those who worked in the industry.

"Neither I, nor any minister, in any government can absolutely guarantee that Concorde, or any other aircraft, will sell in the markets of the world, nor that jobs that depend on such sales can be preserved without a market."

But, Mr Benn said, he had every confidence in the future of Concorde in airline service and would make every effort to get Concorde into service quickly and to win fresh orders. He pledged that he would continue publishing the facts, however awkward, and enlist the workers' support.

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And the climate on one European journey can change from sub-zero blizzard in the North, to the blistering heat of the sun South of the Alps.

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And the diversity of operating needs and conditions in Europe have helped us to develop the characteristics of our lighter vehicles too. Many of Europe's historic towns present severe problems of congested traffic through narrow crowded streets leading on to high-speed arterial routes that call for fast acceleration and ample power.

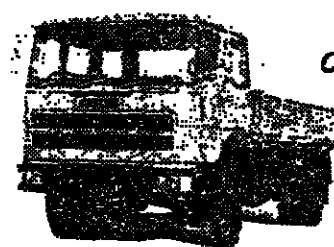
So we have come to produce light vehicles that combine all the features that have proved to be necessary. They are compact, with well-designed high-capacity bodies; they are easy to handle both in narrow confines and on fast open roads; they ease the driver's task by giving him a comfortable cab with highly efficient steering and brakes; and they have quick acceleration and lively performance for speedy and efficient work. The power units have been specially designed to give the output and

torque characteristics the modern operator requires.

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Our experience has taught us that Europe needs trucks with low running costs. We were one of the leaders in the development of the direct injection diesel engine and its application to commercial vehicles, and we have helped in many other ways to reduce road transport costs, and improve reliability.

As a result, we are today one of the world's largest manufacturers of commercial vehicles. And we have developed our range of strong, dependable and powerful trucks. Plus the assurance of knowing that in design, engineering and construction, Fiat trucks benefit from over seventy years' experience in the world's most arduous proving ground—Europe.



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## WEST EUROPE

## Portuguese leader lunches with Gen Spinoza as remodelling of military junta gets under way

From Jose Shercliff  
Lisbon, Oct 8

Speculation has been aroused in Lisbon by the disclosure that President Costa Gomes yesterday lunching with his predecessor, General Antonio Spinoza. The luncheon took place in the restaurant of a Lisbon hotel.

It was General Spinoza's first public appearance since he resigned the presidency on September 30. Reports state that the two generals appeared in genial mood. Their personal friendship dates back for many years, and during General Spinoza's five-month presidency General Costa Gomes was always regarded as the strong man behind him.

In his own inaugural speech on becoming President, General Costa Gomes referred to his predecessor as "a great man, a true soldier and a great friend", although he admitted differences of opinion between them.

Meanwhile, the remodelling of the Junta of National Salvation is under way. The junta was created by the Armed Forces Movement (AFM) to exercise political power immediately after the April 25 military coup and until the formation of a provisional Government. It has remained as a powerful political element behind the Government.

Four vacancies occurred on the resignation of General Spinoza and three dismissals—those of General Galvao de Melo, General Silverio Marques and General Diego Neto. The

AFM has been meeting continuously for the past few days to choose their successors, two representing the Army and two the Air Force. The appointments must be approved by the President and the Council of State.

It has been announced that the Army has chosen Brigadier Carlos Soares Fabiao, the last Governor of Portuguese Guinea, and Lieutenant-Colonel Fisher Lopes Pires, a staff officer.

Brigadier Fabiao, an infantryman, served in Guinea for several years, and remained behind as Portugal's representative when the colony became independent Guinea-Bissau last month. He is believed to have been a strong Spinoza supporter but seemed to diverge later from the former President's views. Colonel Pires, also said to be a Spinoza man and an important member of the Armed Forces Movement, comes of a military family and also has served in Africa.

Three officers have been nominated as potential replacements for the two outgoing Air Force representatives on the junta. They are Colonel Pinho Freire, commander of the air base of São Jacinto, Brigadier Miranda and Lieutenant-Colonel Mendes Dias.

The three members of the junta who have remained in office are General Costa Gomes himself (Army), Admiral Antonio Rosa Coutinho (Navy) and Admiral José Pinheiro de Azevedo (Navy). The President,

who also is Chief of Staff of the armed forces, has been Under-Secretary of State for the Army and commander of the Angola military region. He describes himself as a Republican but is not noted for political action.

Admiral Rosa Coutinho is a career officer. He is reported to have left-wing views, as has Admiral José Pinheiro de Azevedo, who at present heads the governing junta in Angola.

The Portuguese Government has instituted austerity measures in its own and other official services.

Official visits to foreign countries will be restricted. Embassies and consulates abroad must obey the same rule. Senhor Magalhães Mota, the Minister without Portfolio, made this first step towards austerity when he was appointed Minister of Internal Coordination in the first provisional Government by cancelling an expensive order for silken wall panels.

The same newspaper which published the new austerity rules gave an account of the official reception held by Dr Erich Burke, the first East German Ambassador to Lisbon. It was in celebration of the twenty-fifth anniversary of the foundation of the German Democratic Republic and took place in the Ritz Hotel.

It was attended by Portugal's ministers for foreign affairs, justice, labour and education. The Portuguese Government itself has been frugal in entertainment since April 25.



Nobel Peace Prize: Mr. Sean MacBride (left) and Mr. Eisaku Sato, who received the award yesterday. Speaking at the United Nations in New York, Mr. MacBride said he did not even know he was in the running.

He was not immediately aware what the award was for. "I suppose it's mainly an award for what I've done for human



rights and peace in the world. He presumed that the selection committee "approves of the work I'm doing on behalf of the liberation of Namibia". The prize should help in his dealings with the South African Government, "as an indication that my work here is of public importance and should be supported. South Africa may have to give my words more weight."

## Senator Fanfani likeliest new premier of Italy

From Peter Nichols  
Rome, Oct 8

It was the turn today of Senator Amintore Fanfani, in his capacity as secretary of the Christian Democratic Party, to call on President Leone with the party's formal advice on how to find a new government. The senator himself is now regarded as the most likely candidate to try to lead another coalition.

After his talk with the President, Senator Fanfani said that Italy faced five main problems—the security of the democratic state, inflation, the halt in development, the slowing down of social reform and disquiet in the country's future.

He recalled that his own party favoured the revival of a centre-left coalition similar to the Government which resigned last week.

The President has to consult other leaders before deciding to whom he should offer the task of leading the next Administration.

## Spain fines priest for meeting in church

From Our Correspondent  
Madrid, Oct 8

The Spanish Government has fined a Roman Catholic priest and an undetermined number of workers 100,000 pesetas (£746) each without benefit of trial for attending a strikers' meeting in a Madrid church, it was reported here today.

Although there was no official confirmation of the arbitrary fines imposed under the Public Order Law, police did confirm that all but 61 of the 266 persons taken into custody in the church last Saturday night have been released. Among those arrested were two lawyers, three priests, an engineer and a popular singer, Señora Elisa Serna.

A statement issued by the national police headquarters in Madrid was published by government order in all newspapers here today. It alleged that the object of the meeting was to incite more workers to take part in strikes. The statement also said that the raid on the church did not violate the existing Concordat between Spain and the Vatican, which guarantees the inviolability of churches in most cases, because it was "a matter of urgent necessity" to stop this gathering.

The prominent Madrid Catholic daily Ya printed an editor's note in bold type explaining that the publication of the police statement was obligatory under the terms of the press law.

## French Communists question allies' policy

From Charles Hargrove  
Paris, Oct 8

The Communist Party has not attempted to conceal its irritation and concern over the results of the election on Sunday at Périgueux.

The candidate of the Left, a veteran Communist, failed to obtain the full support of all those who had voted for the opposition in the first ballot, the previous Sunday, thus making it possible for M. Guena, a former Socialist minister, to win back the seat.

This test case would seem to prove that the Socialists are the sole beneficiaries of the Union of the Left, and that, in time, the Communist Party will lose its position as the leading opposition force in the country. On Sunday the Communists lost votes in five out of six constituencies.

The central committee, which met to consider this setback, issued a sharp warning to M. François Mitterrand, the Socialist leader, and a strong condemnation of his declared objective of "balancing out the forces of the Left". Published over two whole columns on the front page of *L'Humanité* this morning, it is the first public questioning by the Communists of the policy of their Socialist partners.

"The *grande bourgeoisie* pursues its struggle against the Union of the Left and its programme. But it knows that it cannot break this union today. That is why in a situation where the prospects of victory of the Left are increasing, the men of big capital have set themselves the first objective of weakening the Communist Party," its statement says.

The statement goes on to emphasize that the "constantly repeated slogan about the need for a so-called balancing out of the forces of the Left assumes an increasingly pernicious character because it too, involves the notion of reducing Communist influence. Moreover, the campaign designed to demonstrate that only a non-Communist candidate could defeat the candidate of the Gov-

ernment can only undermine the indispensable regrouping of the votes of the Left. All workers, all democrats, all patriots, need a large Communist Party, open and strong, present and active everywhere, whose electoral audience and elected representatives increase along with those of the whole Left.

The Communists do not really believe that the Socialists are about to break the Communist sealed with them in 1971. But M. Marchais, the Communist general secretary, who has committed himself body and soul to the Union of the Left, must not let the rank and file believe that it has not been the victim of a poor bargain. And he must warn his Socialist partners against any nostalgia about the "grand federation" of the non-Communist Left. Centre, this broke down in the sixties, but the Independent Republicans, the followers of M. Jean Lecanuet and of M. Servan-Schreiber, are attempting to breathe new life into it.

At the same time as the Left takes steps to consolidate its support in the country, the unions, which have been quiescent since the end of the summer holidays, have decided to adopt a firm tone towards the Government and the leftist Confédération Générale du Travail (CGT) and the French Democratic Union (FDU), agreed yesterday on demonstrations in Paris on October 14 and 25, and on days of protest and strikes in the provinces in defence of employment and of the standard of living.

But they are not going all out because the mood of the rank and file is not combative, and because they do not wish to be accused of endangering employment in the hard times the country is about to enter. The staff of the national radio and television service began strike action today in protest at the prospect of substantial dismissals after the reorganisation of the service becomes effective on January 1.

## EEC ministers differ on mountain farming aid

From Our Own Correspondent  
Paris, Oct 8

The EEC ministers of agriculture who accepted the invitation of M. Christian Bonnet, president of the Council of Ministers, to hold a study session in Savoy on the problems of mountain farming, were able to judge them for themselves in the upper Tarentaise.

Snow has begun to fall in the region, two months ahead of time, and yesterday it was swept by a violent storm. Helicopters had to help bring down cattle from high pastures.

In spite of this demonstration, the ministers agreed that Belgium, Denmark and Germany who took part in the

study session with Mr. Lardinois, the member of the European Commission for Agriculture, failed to agree on the criteria for giving special assistance to mountain farmers. All members of the Community endorsed the principle of special assistance several months ago, but M. Bonnet, however, expressed confidence that the Community would set up a system of aid for mountain farming before the annual discussion on farm prices next spring.

In addition to the passing difficulties of European agriculture, he added, mountain farmers suffered from structural troubles. Compensation must be granted for these problems by all Europeans.

## Three airlines back up swallow appeal

From Our Correspondent  
Geneva, Oct 8

The campaign to save migrating swallows dying because of the early onset of winter in the Alps has caught the Swiss public's imagination.

An estimated 140,000 birds have so far been collected for dispatch south, some by train but mostly by aircraft. Swiss, French and Spanish airlines are carrying them to Nice, Marseilles, Palma, Madrid and Tunis where they are released in the countryside.

Swallows that summered in the Lake Geneva area left two weeks ago, when the current protracted cold spell started. The large numbers that have appeared since then seem to be birds that were further north in Europe, plus, perhaps, some that turned back from the unexpected sub-zero temperatures in Alpine passes.

Reports that some swallows have saved themselves by using the Mont Blanc and Great St Bernard road tunnels are not substantiated. Birds seen flying from the southern ends of the tunnels had probably been sheltering there or searching for insects drawn to the overhead lighting.

## Fallopian tube transplanted by German surgeon

From Dan van der Vat  
Bonn, Oct 8

A West German surgeon today carried out the first recorded transplant of a fallopian tube.

Dr Georg Sillo-Seidl, aged 41, a Frankfurt gynaecologist who specializes in the treatment of infertility in women, performed the operation on a woman of 31. It took an hour and a half.

The woman already has three children. Before her first marriage ended in divorce she was sterilized, but on marrying again she wanted another child. Dr Sillo-Seidl said the sterilization had proved to be irreversible, and the transplant of a fallopian tube was the only way to make the woman fertile. The tube was given by a woman who had had a hysterectomy.

## Milan oil dealer kidnapped in office

Milan, Oct 8.—A wealthy oil dealer, Signor Alfredo Paraghi, aged 44, was kidnapped last night in his Milan office.

He had stopped there to check his accounts after working hours when three men, masked and armed with pistols, broke in.

## Union agrees on return of liner to Le Havre

From Our Own Correspondent  
Paris, Oct 8

Union officials representing the striking crew of the liner France and negotiators for the Merchant Navy Administration and the French Line agreed today on conditions for the liner's return to its home port of Le Havre as soon as possible.

The difficult negotiations began on Friday at St Vaast-la-Pouque, on the west coast of the Cherbourg peninsula, where the France has been lying at anchor since September 24, and the talks were transferred to Paris on Sunday.

The agreement has still to be approved by a general meeting of the ship's crew, which cannot be held before tomorrow to allow time for the union representatives to return to the France with the proposals.

If it is ratified, the agreement will bring to an inglorious end a labour dispute which began nearly a month ago. On September 11 the crew compelled the captain of the liner, which was on the return voyage from New York to drop anchor in the roads of Le Havre pending an assurance from the Government that the France

would not be laid up at the end of this month. Despite the determination of a hard core, led by the "coordinating" committee which took control of the ship to pursue the strike to the end if no assurances were obtained, there have been increasing signs of weariness among the strikers and more than 100 men have left the ship already.

It was inevitable that the liner should return to Le Havre sooner or later, but the striking block was the condition on which it would do so, including the continuation of the strike, free access for the crew to the liner once it was moored in Le Havre, and the guarantee demanded for the future of the liner.

It was agreed today that a security detail of 121 men, excluding officers, would remain on board. "Discussions were held because we were anxious to ensure that security and legal matters were guaranteed," M. Valentin Kovitch, the Secretary General of the Merchant Navy, told the press after the agreement was reached this afternoon.

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## OVERSEAS

## Rockefeller hearings may be reopened on lavish cash gifts

From Patrick Brogan  
Washington, Oct 8

The Senate hearings into the confirmation of Mr Nelson Rockefeller as Vice-President may be reopened because of revelations of his generosity to senators and officials. Mr Mike Mansfield, Democratic leader in the Senate, said this morning: "So far as I am able to ascertain it is legitimate, but the fact that it is publicized raises questions and it could well reopen hearings."

The Senate Rules Committee wound up its public hearings two weeks ago and is waiting for the completion of a study of Mr Rockefeller's taxes and fortune before voting on the nomination.

It was revealed today that Mr Rockefeller gave \$15,000 (£700) to Senator Jacob Javits of New York two weeks ago for his re-election campaign. He gave \$5,000 to Mr Peter Peyer, congressman for the district in Westchester County, New York, in which there is a large Rockefeller estate, and other members of the family gave Mr Peyer a further \$5,000.

Various other Republican members of Congress, who will vote on Mr Rockefeller's appointment as Vice-President, have benefited from his generosity. Dr Kissinger, Secretary of State, confirmed over the weekend that he received a gift of \$50,000 from Mr Rockefeller as a farewell present, just before he

joined the Nixon administration in 1969.

Another and much larger gift, of \$500,000, was apparently given to Mr William Roman who is now chairman of the Port Authority of New York and New Jersey. He was one of Mr Rockefeller's closest associates for many years. Mr Rockefeller also gave \$100,000 to Mr Hugh Morrow, his press secretary, to help him pay off bank loans incurred in sending his children to college and paying medical bills for his wife and for a son who died of cancer.

This princely generosity makes a change from the affairs of the two men elected to the presidency and vice-presidency two years ago, who were accused of benefiting in kind or in cash from their public service.

Criticism of Mr Rockefeller, and Dr Kissinger, have been chiefly directed to the secrecy surrounding the gifts and to the fact that the Vice-President designate mentioned none of them during his testimony before the rules committee. Details of the gifts were discovered by congressional staff.

Dr Kissinger might have been more frank, it is suggested. He claimed to have forgotten the name of one of the lawyers for Mr Nixon who recommended him to accept the then Governor Rockefeller's gift.

The lawyer was Mr Egil Krogh, who later went to prison for his part in one of the Watergate scandals.

## US imposes ban on all exports of grain

From Our Own Correspondent  
Washington, Oct 8

The United States is withholding approval for all grain exports.

This clearcut admission of an unofficial, if temporary, embargo was today confirmed by White House officials after a dealer's complaint on Capitol Hill that sales to oil producers as well as to the Soviet Union were ordered to be suspended.

The suggestion was that President Ford had ordered the move at the time of the week-end cancellation of the Soviet contracts.

Attempting to clarify the confusion surrounding yesterday's imposition of voluntary applications for official approval of exports, White House and State Department officials insisted that all deals with all foreigners were off.

## Kissinger-Sadat talks due to open in Cairo today

From Our Correspondent  
Cairo, Oct 8

Dr Henry Kissinger, the American Secretary of State, is due to arrive in Cairo tomorrow for important talks with President Sadat on the next move towards a peaceful settlement of the Middle East crisis. Dr Kissinger's seventh peace mission comes at a time when the Arabs feel stronger politically, militarily and econom-



President Ford welcomes Mr Gierek, the Polish party leader, on the White House lawn yesterday.

cally, and therefore more determined to recover Israel-occupied territories.

Observers familiar with the Middle East scene, do not expect that Dr Kissinger's tour—which will take him also to Syria, Jordan, Israel, Saudi Arabia, Algeria and Morocco—will result in any spectacular achievement to match his previous success in bringing about troop disengagement agree-

ments between the Arabs and Israel. The main purpose of his visit will be to assess views and give impetus to political efforts for resolving the Arab-Israeli conflict, the observers say.

The semi-official newspaper *Al-Ahram* today said that an Israeli withdrawal from occupied lands "must begin as disengagement of forces has been completed".

According to *Al-Ahram*, Cairo's attitude could be summed up as follows: because the disengagement of forces had been effected, a start must be made to fulfil the Security Council resolution of November, 1967. This called, among other things, for Israel's withdrawal from occupied Arab territories and the safeguarding of the sovereignty of all Middle East states.

## Dissident Ethiopian soldiers shot dead

From Michael Knipe  
Addis Ababa, Oct 8

Ethiopian Radio disclosed today that five soldiers were killed and seven were wounded yesterday when the Provisional Military Government's forces quelled Army dissidents at the Engineering Corps barracks in the capital.

The dead, a sergeant and four lance-corporals, were all members of the Engineering Corps as were the wounded, two lance-corporals and two privates, according to the radio.

It said that members of the Engineering Corps opened fire on representatives of the military Government who had gone to the corps headquarters "for a meeting and to arrest trouble-makers".

The radio described the trouble as a "minor misunderstanding" between members of the Provisional Military Government, the Army Aviation Unit and the Engineering Corps which had been caused by agitators.

It is generally believed that the troublemakers were demanding speedy introduction of civilian rule. Eyewitnesses of the clash reported that troops surrounded the barracks and several tanks drove inside and two stayed outside. According to some sources shooting broke out when the dissidents attempted to force their way out of the barracks.

The calm in the capital has been generally undisturbed by the military clash and there have been no open signs of military tension today.

The Provisional Military Gov-

ernment today officially ousted Ras (Duke) Mangasha Seyoum from his position as Governor of the Tigre Province. Ras Mangasha, a popular and progressive leader in Tigre, went into hiding when Emperor Haile Selassie was deposed.

However, his wife, Princess Aida, a granddaughter of the former Emperor, is under house arrest in the capital, having been transferred from her castle home in Tigre. Ras Mangasha's whereabouts are still not known, although rumours persist that he is gathering his followers in Tigre.

The new Government of Tigre is Dr Haile Selassie Belay, a Tigrean who obtained his master's degree in agriculture in Britain and his doctorate in the United States.

Other Government appointments were announced today. Mr Ato Makonnen Moulat, an engineer, was appointed Mayor of Addis Ababa, his predecessor having been in prison for the past three months. Brigadier-generals were put in command of prisons, civil aviation and the army's second division, based in Eritrea.

The Military Government also announced details of its controversial plan to send teachers and students to rural areas. It says the plan will help bridge the gap between the urban and rural sectors.

The students and teachers will be expected to give instruction in reading and writing, health and agricultural matters, and to assist in developing community facilities such as water supplies.

Banned in every US state, but dog-fights take place regularly  
Grisly sport in the woods

From Peter Strafford  
New York, Oct 8

Thirty-five people were arrested last weekend, and another 100 or so given summonses, when the police swooped on a secret dog-fight gathering in the woods near Orlando, Florida. The police said the latest sign of public concern over the continuing popularity of this sport.

Dog-fights are illegal under state law in every part of the United States, but this has not prevented them from taking place regularly. There are specialized newspapers which publish grisly accounts of the ways in which the dogs, specially bred and trained, reach each other apart.

"Lou has a busted artery on the side of the cheek and is bleeding very freely", wrote *Pit Dog Report*, a Texas magazine, in an account of a recent fight.

"Dogs fighting mouth to mouth and Missy is biting very hard. At the 10-minute mark, dogs still fighting very fast, mostly fighting around the head and mouth."

For the spectators, the fascination seems to be partly in the fight itself, partly in the betting which is an integral part of the occasion. Opponents of dog-fighting say that anything from 50,000 to 100,000 dollars (£21,000 to £42,000) may change hands at one of the bigger meetings

and that the participants are often protected by local officials. They also claim that there is intimidation of anyone who tries to investigate the sport. Mr Terry Owen, a private investigator working for a group known as Fund for Animals Inc., told a Congressional inquiry last month that at a meeting in Texas in May, five local politicians, including a judge, had been present.

Some months later, Mr Owen said, he had been shot at by men who had driven up alone side him on a road in Texas. His home and office were broken into.

Pressure is now being brought in Washington for federal legislation to stop dog-fighting. Hearings are being held by the agriculture sub-committee of the House of Representatives, and witnesses have produced some gruesome evidence of the way in which the dogs, usually specially bred pit bull terriers, are trained.

Mr Richard Knapp, from the Massachusetts Society for the Prevention of Cruelty to Animals, told the committee that the dogs were sometimes provided with kittens or stray cats to give them "a feeling of victory and a taste of blood. They were made to run long distances or work on a treadmill often with 'baits' dangled in front of them—a raccoon, for instance, or even a woman's wig soaked in blood".

## Mr Brezhnev has rousing E Berlin farewell

East Berlin, Oct 8.—East Ger-

many today gave Mr Brezhnev, the principal guest at their twenty-fifth birthday celebrations, a rousing farewell at the end of his three-day visit.

The Soviet Communist Party leader left to the cheers of thousands of people stationed at the airport, the embraces of the East German leadership, and the pageantry of a military guard of honour.

Yesterday's festivities cele-

brated the day 25 years ago when the Russian zone of occupied Germany became the German Democratic Republic. A new-look constitution also came into force yesterday, abandoning the goal of German unity and laying heavy emphasis on East Germany's "eternal bond" with the Soviet Union.

Herr Schmidt, the West German Chancellor, will visit Moscow at the end of the month.

Mr Brezhnev later arrived in Moscow.—Reuter.

## Dissident writer in Yugoslavia again arrested

Belgrade, Oct 8.—Mihajlo Mihajlov, a Yugoslav dissident writer, was arrested today at his home in Novi Sad, 45 miles north of Belgrade.

Details of the charges were not immediately known. However, friends noted that Mr Mihajlov recently published some articles abroad that were highly critical of the Yugoslav political system. The author of *Moscow Summer* and *Russian Themes*, both published in the West, was released from prison in March, 1970, after serving a three and a half year sentence for spreading hostile propaganda.

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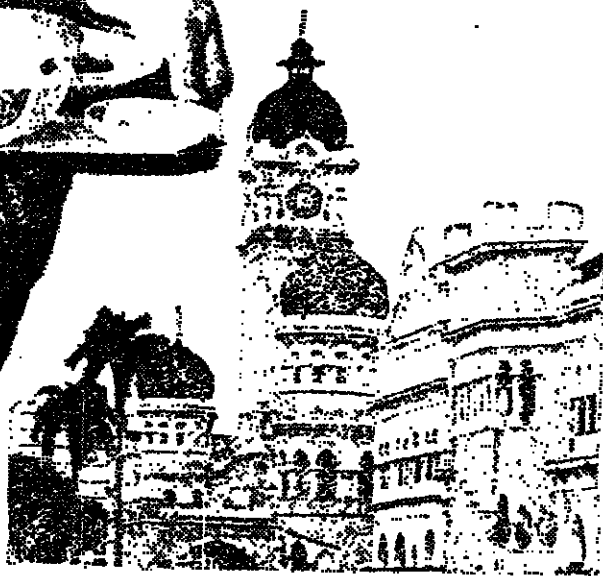
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TELEPHONE

TIME



The red-robed Mayor of Suva, crouching yesterday in the traditional Fijian gesture of respect for chiefs of high rank, welcomes the Prince of Wales to Suva town hall. On the left is Sir George Cakobau, the Governor General.

## Fiji gives Prince big welcome

Suva, Fiji, Oct. 8.—The Prince of Wales was welcomed to Fiji's capital today by thousands of schoolchildren sweltering in a temperature of 91°F, and with colonial military splendour that the royalty-loving Fijians insist on keeping four years after independence from Britain.

The Prince is spending four days in Fiji. He will attend a hectic round of celebrations commemorating the centenary of Fiji's becoming a British colony and the fourth anniversary of independence. After flying direct from Britain in an RAF VC10 jet he was met at the airport by Sir George Cakobau, the governor-general, who is a paramount chief of Fiji. The Prince, dressed in Royal Navy whites, waved to children lining the road from the airport to the city centre. Mr Gough Whitlam, the Aus-

tralian Prime Minister, is expected to join the Prince in the celebrations tomorrow on arriving from his tour of the United States and Canada. The Prince watched and took part in ceremonies of welcome performed by the island's Indian and Fijian communities at Suva's Albert Park. He drank a bowl of kava, a strong local drink, given to him by a Fijian chief. Tonight the Prince attended a reception at Government House before leaving at midnight for Lavuka on neighbouring Ovalau Island.—AP and Reuter.

## US magazine says Britain is ruled by trades unions

From Our Own Correspondent Washington, Oct. 8. Britain is in the throes of a political and social revolution, according to the magazine *US News and World Report*. An analysis of the general election by a former London correspondent, published this week, may lead its readers to conclude that Britain is on the verge of communist revolution, a military coup, or both. The magazine is on the far right of the American political spectrum and to see the "free world" as menaced by communism, trade unionism and liberalism. The author, Mr Joseph Fromm, says that evidence of such radical change "doesn't strike a visitor quickly". However, the states that political parties have lost "much of their effective power to the trade unions". He quotes a "liberal sociologist" as saying: "Britain is rapidly being converted into a left-wing Spain." Mr Fromm says that the middle classes are one of the main victims, and revolutionary change, and he quotes a real-estate agent as saying: "Anyone who stays in this country during the next few years is a bloody idiot." Mr Fromm's article is illustrated with photographs of Colonel Stirling and General Walker, and although he agrees that these two gentlemen's private armies could not keep railways, power plants and coal mines operating in a crisis, he finds them significant. Mr Fromm quotes a "prominent political commentator", who told him: "People see everything going to hell and feel that something—anything—must be done. Some even want an authoritarian government like the former regime in Greece to run the country." He concludes that the source of Britain's troubles was Mr Heath's failure in February's election. The Prime Minister called a general election on the

issue who governs Britain—Parliament or the unions? Mr Heath lost, and ever since political power in this country has been in the hands of the trade unions." Mr Fromm states that "the leftist leader of Britain's biggest union—Hugh Scanlon of the Amalgamated Engineering Union—has served notice that a Conservative Party victory would trigger a winter of labour chaos for the nation". He quotes "political authorities" who predict rising unemployment and a wave of industrial bankruptcies that would lead to seizure of factories by workers faced with loss of jobs. He goes on to predict worse trouble still: "Says a leading specialist in industrial relations, 'We are bound to see a battle between strikers and police. And we may well discover that the police force we have organized to deal with problems in a peaceful Britain no longer is capable of doing its job'." "Many Britons already are debating the role of the armed forces in what they call 'the coming crisis of authority'. A former colonel, now a member of the House of Lords and a well-known commentator, made this point: "Last spring, when Protestant workers in Northern Ireland staged a general strike to wreck Government policy, the Prime Minister ordered the Army to deal with the walk-out. The commanding general informed him that the Army was incapable of carrying out the mission, and the British Government capitulated. That may well be a foretaste of what will happen in England." Mr Fromm concludes with a question he was asked: "Is Britain finished? Are we going down the drain as a nation?" And he continues: "The answer could emerge very soon. It depends whether the new Government, be it Labour or Conservative, succeeds in curbing the British labour revolution before it surges completely out of control."

## \$800,000 Israel phone frauds

Tel Aviv, Oct. 8.—Israelis have swindled the public telephone system out of about \$800,000 so far this year, the Communications Ministry said. "The public had used 'ingenious but dishonest methods' to get free calls on the telephones, which are operated by tokens, the Ministry said.—Reuter.

## Turkish leaders fail to agree

Ankara, Oct. 8.—Party leaders meeting under President Koruturk, failed today to find a solution to Turkey's Government crisis. They discussed the President's proposal to form a national coalition government, but the proposal found no overall support, and no other solution was found.—Reuter.

## Promise of happy end to Baluchistan uprising

From Our Correspondent Rawalpindi, Oct. 8. Mr Bhutto, the Pakistan Prime Minister, said in Peshawar today that he would make an announcement to resolve the Baluchistan crisis in Quetta on October 14 or 15. He said it would be a pleasant announcement which would make people feel happy. Interestingly enough, Mr Bhutto's promise of a happy ending came at a time when Government leaders, and the press have mounted a vitriolic attack on the opposition leader—principally Abdul Wali Khan, President of the National Awami Party—who have recently launched an intensive campaign for political

settlement of the Baluchistan issue, demanding an end to nearly 12 months of military action in the province. A recent resolution on Baluchistan, adopted by the opposition parties and addressed to the United Nations, the Islamic secretariat and the chiefs of Pakistan's three armed services, has been denounced as treacherous by Government leaders. Some of Mr Bhutto's colleagues demanded strong action against the opposition leaders, asserting that their actions amounted to subversion of the constitution and incitement to the armed forces. Mr Bhutto, who made today's statement at a press conference, did not indicate

## India's farmers to plant emergency crop

From Michael Hornsby Delhi, Oct. 8. India's autumn harvest, consisting largely of rice, will be five to seven million tonnes down on last year's crop of 67 million tonnes and seven to nine million tonnes short of the government's target of 69 million tonnes. Mr C. Subramaniam, the Minister for Food and Agriculture, giving his first official estimate today of the crop losses caused by floods and shortages of power and fertilizer, insisted that imports of food sufficient to prevent famine were in the pipeline. He declined to go into figures. In an attempt to make good the shortfall, some 500,000 acres would be sown with an extra third crop in between this year's autumn and next year's spring harvests, which together constitute the 1974-75 agricultural season, he said. His estimate of the autumn crop loss, though severe enough, is considered optimistic by most independent experts here. Lack of moisture in the soil is likely to reduce the following spring crop as well, so that total grain production in 1974-75 is certain to be substantially down on last year. This means a continuation of the alarming downward trend in food production, evident since the peak year of 1970-71, a trend which must be set against India's need for an extra two and a half million tonnes of grain annually.

## Greek Cabinet reshuffle to make way for election

From Our Correspondent Athens, Oct. 8. Mr Constantine Karamanlis, the Greek Prime Minister, accepted resignations from members of his two-month-old Cabinet today to clear the way for the caretaker Government that will conduct the November 17 general election. Mr Karamanlis will head the pre-electoral government that will take office tomorrow. Mr George Mavros, the Deputy Prime Minister and Foreign Minister, and Mr Evangelos Averoff, the Minister of Defence, will remain in their important posts at the request of Mr Karamanlis, although they will be standing in the elections. Mr Mavros, who is also the

## Turks may be willing to give way in Cyprus

From Paul Martin Nicosia, Oct. 8. The next two months may hold the key to the success or failure of attempts to find an overall and lasting solution to the Cyprus problem. During this time, the leaders of the Greek and Turkish communities in the island will conduct an intensive search for a compromise agreement acceptable to both Greece and Turkey. Mr Glafkos Clerides, the acting Cypriot President, and Mr Nicos Denktash, the Turkish Cypriot leader, are on the threshold of "exploratory talks" on a general political solution. However, both agree that no accord can be reached before the result of the Greek and Turkish elections are known. This allows them two months of talking on present calculations. It is understood that Mr Clerides has been encouraged by Mr Constantine Karamanlis, the Greek Prime Minister, to explore fully the possibilities of finding a solution in his intercommunal talks with Mr Denktash, although the political crisis in Turkey has tended to confuse matters on this side. However, Mr Denktash is expected to receive clarification from Ankara by the end of this week. At first, the two community leaders set themselves the narrow task of tackling the humanitarian problems resulting from the Turkish invasion. However, now that Mr Clerides has consolidated his political position at home they have decided that the time has come to get down to more substantive issues. Although up to 38 per cent of the island remains in Turkish hands, there are indications that they are prepared to accept considerably less in any "geographical" federated solution. There is satisfaction among Greek Cypriots at the highest level that the Turks probably intend to withdraw from the citrus-growing area of Morphou, the city of Famagusta and positions south of the new Nicosia-Famagusta road. Mr Clerides has already made it known that he would regard this as a major step towards alleviating the refugee problem on the Greek side. What has become clear from the Turks is that they are intent on a geographical division of the island. The flight of Turkish Cypriots from the south—where they formed substantial minorities in Limassol, Larnaca, Paphos and Polis—is in progress. This is being actively encouraged by the Turkish administration which is determined to rewrite the demographic map of the island with a Turkish majority in the northern areas. This runs contrary to what the Greek Cypriot leadership wants. The nearest Mr Clerides has come to reconciling himself to a geographic division is that a relocation of population could take place over a period of time, but not on an arbitrary basis as the Turks propose at this juncture. At the moment, the two sides have a wide gap to bridge, but Mr Clerides and Mr Denktash have an understanding of the task ahead. The fact that they do not appear to want constitutional experts from their respective mainland states is an indication that they wish to get down to straight talking aimed at removing rather than creating barriers. Nicosia, Oct. 8.—The Cyprus Government has declared the Turkish-occupied ports of Famagusta, Kyrenia and Xeros illegal points of entry to the island.—Reuter.

## M. GERARD THE WORLD'S LEADING JEWELLER

PARIS VIII: 8, AVENUE MONTAIGNE Telephone 359 83 96  
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A known name. An acknowledged reputation. Three establishments of great prestige: one in Paris, at 8 Avenue Montaigne; another in Monte Carlo in the gardens of the Hotel de Paris; the third in the heart of the fashionable quarter of Lausanne all created in scarcely six years. A collection of stones looked upon as unique in the world. Who in the jewellery trade could have put together such a hand of trumps other than M. Gerard?

"I am well situated", he acknowledges without false modesty. "He is the best" say his customers, whatever the style to which they are accustomed. Unjustified comment? Indeed not. One need only follow his rise to fame both in France and abroad (including the countries of the Middle East) and the turnover of his business to be convinced of that. One visit into the fastness of the mother establishment is likewise enough to show that his position as leader owes nothing to chance. The thirty four people who work at the Avenue Montaigne have made their contributions to this success, whatever their grades. Not to mention the "gentlemen of the workshop" and of course M. Gerard himself. Seeing all, available to all, he presides over the fortunes of his establishment with all the flair and authority of his thirty years in the business.

"Precision and responsibility" could well be the motto of M. Gerard the jeweller if he had one. One finds this constant care for perfection everywhere, and particularly in the three strengths of the house of Gerard: the supplying of stones, the creation and the execution of pieces.

back if they do not display all the requisite qualities. The famous *Bourse aux Brillants* (precious stones exchange) set up in 1969 operates with success on these principles. Nowadays, the customers who buy, either for investment or gift purposes (at Fr.7426.28 the half-carat) can be certain of getting stones of perfectly "pure blue white". Similarly all the stones (rubies, sapphires, emeralds) that go to make up pieces bearing the signature of M. Gerard satisfy these very strict selection criteria. The jewels displayed in the various windows of the three shops are scintillating proof of that.

As regards creation M. Gerard doesn't take the soft option any longer. His only concession? It is to fashion, of course that of the great couturiers. Like them, M. Gerard designs and brings out two collections yearly, consisting of hundreds of sketches which he modifies to some degree in relation to fashion trends. Ear ornaments for example were brought in when dress styles enabled the wearing of necklaces and clips. The return of "the thirties"? Yes, but revised and right for the '74 style so as not to reproduce the sad and hidebound jewellery of the period. This results from his conversations with his customers and with the ladies of his circle (his wife and his three daughters): "It is in this way that we have come to do away with platinum mountings on most of our jewellery, to the advantage of gold mountings which are more to modern taste". But above all it springs from what he loves doing, from his imagination, "from the photographs

that come into his eye", and from a particular inventive genius.

### Each year a new material

In this category M. Gerard, the leader in the field, has created jewellery in "double cut" crystal of great beauty and in carved ivory and produced all kinds of immitable pieces, not to mention his latest discoveries, which are equally remarkable. Like the range of gifts brought out at Christmas time—lighters, watches, desk-top items, cufflinks in gold (or silver) and slate of perfect taste and restraint. Like the new collection of pieces in steel processed for him to match the colour of ancient weapons, this taking (ever this care for perfection) more than two years' research before introduction. This indicates the importance of the workshops and the craftsmen. Their names are kept secret but this doesn't prevent M. Gerard from doing them homage when he says: "the workshops are the source of our success. You can't say that you're in business until the piece is finished".

As a result of this perfection in the choice of stones, in the creation and making of pieces of jewellery (from 50,000—250,000) which from the simplest to the lavish and obviously well beyond always follow the definition of "haute joaillerie" as conceived by M. Gerard—to be, above all, light (the ladies don't want to be weighed down) and luminous—"my jewels have got something more", he says. "They are also safe investments, always realisable. I am often told that I am the leader. That's why."

### Stones of the finest quality

"Current stocks, you know, are more than the market can absorb", he said. "Our own superiority comes from seeking only the rare stones of the highest quality worthy of the top class French jewellery trade, whose tradition we strive to maintain." The secret of his ability to do this is likewise a simple one: from the lots of first grade diamonds that are often set before him (described as "quality A" in the language of the trade) M. Gerard usually selects only thirty per cent of the stones offered or sends the whole lot

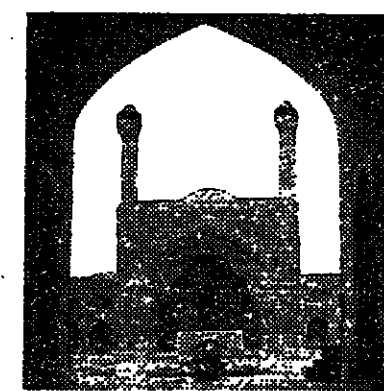


On the 5, 6 and 7 of August last, M. Gerard exhibited in the Empire Salons of the Hotel de Paris in Monte Carlo "the most rare and fabulous jewellery in the world". On the occasion he was awarded the Best in Europe Supreme Grand Prix 1974 presented to him by the smiling Josephine Baker who was accompanied by the French artist Jean Claude Brialy.

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Parasol and symbol of Iran Air



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# ENTERTAINMENTS

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## OPERA AND BALLET

**BOVENT CASH** 230 1111. The Royal Opera tonight at 8 and 10.30. The Royal Opera tomorrow at 10.30. The Royal Opera on Tuesday at 10.30. The Royal Opera on Wednesday at 10.30. The Royal Opera on Thursday at 10.30. The Royal Opera on Friday at 10.30. The Royal Opera on Saturday at 10.30. The Royal Opera on Sunday at 10.30.

## CONCERTS

**SNARE MALTINGS** 10.30. The Royal Opera tonight at 8 and 10.30. The Royal Opera tomorrow at 10.30. The Royal Opera on Tuesday at 10.30. The Royal Opera on Wednesday at 10.30. The Royal Opera on Thursday at 10.30. The Royal Opera on Friday at 10.30. The Royal Opera on Saturday at 10.30. The Royal Opera on Sunday at 10.30.

## THEATRES

**ALBERT** 10.30. The Royal Opera tonight at 8 and 10.30. The Royal Opera tomorrow at 10.30. The Royal Opera on Tuesday at 10.30. The Royal Opera on Wednesday at 10.30. The Royal Opera on Thursday at 10.30. The Royal Opera on Friday at 10.30. The Royal Opera on Saturday at 10.30. The Royal Opera on Sunday at 10.30.

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## THE ARTS

# The Huguenots at Leipzig

From somewhere out of the distant past surfaces a wisp of childhood memory: Richard Wagner's writing jokingly that in some work he had "out-Meyerbeer Meyerbeer". The magnificent new Leipzig production of *The Huguenots* makes it amply clear what Wagner meant.

One can make a sound case for *The Huguenots* and Meyerbeer's other smash hit, *Robert the Devil*, as the most sensationally successful operas of his era. Meyerbeer's flair for spectacle and panoply lent the term *grand opera* in Paris a new dimension. It seems a pity that chronology prevented his ever combining forces with his natural-born stage director, Cecil B. de Mille.

Joachim Herz, who in his new production of *The Huguenots* has skillfully mingled elements of de Mille, good taste, semi-burlesque, and *realistisches Musiktheater*, admits that today's audiences no longer exactly seek out grand opera. "They have such things as the 'ice revues' instead," Mr Herz has not revived a phenomenon well worth reviving—although it still seems a bit early to speculate about a Meyerbeer renaissance.

Mr Herz has in no way played up the parallel, but an Anglo-Saxon visitor inevitably draws comparisons between France in 1572 and Northern Ireland 402 years later. At stage left, in big capital letters: Down with the Catholics! Long



Paul Moor The Huguenots: the last act

# The Dublin Theatre Festival: conversation before acting

In this genial city where conversation is still the major art, theatre evidently takes second place. No new writer of stature has emerged in the present festival: adaptations seem to be the order of the day, and most of the productions are halfheartedly acted and poorly drawn.

The best of the actual plays (and it seems to have been originally written for radio) is *On the Outside* by Thomas Murphy and Noel O'Donoghue. Set outside the dance-hall of a small Galway town in 1953, it shows a boy's attempts to wheedle and bully his way inside to join the girl he invited to the dance but whose ticket he could afford no more than his own.

Ending with the girl coming out on the arm of a better-heeled chap, the anecdote is slight. But the observation of the dialogue, with its wistful reference to the easy virtue of Protestant girls, and the detail of Murphy's production, from the peeled paint advertisement for a local grocer to the wisp of a greasy comb on an oversized jacket, is lovingly precise.

It would be pleasant to greet this better half of a double bill at the Project Arts Centre as new; but apparently it comes from Mr Murphy's bottom drawer. On the other hand, Maurice Davin Power's *Strangely*, at Christ Church Cathedral, although new, looks as if it could have been written any time in the last hundred years. A statuesque Irish history lesson, replete with such lines as "His Majesty is still very upset about Thomas a Becket", it might be called *1177 and All That*.

It was not uncharacteristic of affairs here that a matinee of *The Morgan Yard* at the Olympia was advertised on the posters for 3.30 pm and on the tickets for 3.30. The first of mine arrived at ticket time to find that the show had started at 3.10, to provide more or less equal frustration for adherents of the two times.

However, they missed little, for the opening scenes of the first two acts are virtually identical. Both presented Siobhán McKenna as a Missouri widow in animated conversation with deceased relatives in the family graveyard. The author is an American, Kevin O'Morrison, my friends also thought they were going to see a new Irish play. Like a mid-western William Douglas Home, he presents a doughty old woman defending her territory, ready to take on the whole American Army which plans to use the yard as a dumping ground for nerve gas containers. Neither in conversation with the living or the



Edward Byrne, Arthur O'Sullivan and Dermot Tuohy in 'The Third Policeman'

dead, nor in the final Jacobean pile-up of bodies does Mr O'Morrison, bless his nylon socks, concern himself with the morality of nerve warfare. And even if Miss McKenna were to play old Carrie Morgan with a bit more guts and quirkiness the production would still be a precious little about the invasion of privacy or the dignity of the individual. As it is, Miss McKenna invests the sentimental lines with a winsome lilt, which amounts to carrying molasses through. In effect, he has not attempted a surreal form for the surreal content; nevertheless, with complete clarity and with great zest he conveys the mud story of a young man justifying his hero's contention that life is an illusion by believing himself alive 16 years after his own death. The process of passing light through a mangle, and the girl transformed into a bicycle, are tolerably represented, the journey to eternity in a lift has a nicely matter-of-fact air; and O'Brien's marvelous dialogue bubbles, paradox over paradox, from the lips of vigorous cast.

Together with the piece by Murphy and O'Donoghue, it puts heart into me and raises hopes for a week containing plays by Hugh Leonard, Edna O'Brien, and John McGrath.

Charles Lewsen

## There Goes the Bride

Criterion

Irving Wardle

This one from the Ray Cooney and John Chapman script-factory goes to confirm my long-held view that it is embarrassment more than anything else that poisons British farce. *There Goes the Bride* is built on a chassis of wedding-day clichés from fastening the collar-stud to unlocking the bride's bedroom door. Upon that foundation, however, the authors have erected a crazy superstructure which reflects farce's current yearning for the past while seeking to supply the kind of roles you would expect from Bernard Cribbins, Peggy Mount and Terence Alexander. Everything hangs on Mr Cribbins, who plays a harassed ad-man (deposited like an amputatory flag-hat in one of Hutchinson's plots). Then Mr Cribbins gets another knock on

## Elite Syncopations

Covent Garden

John Percival

Time was when the Royal Ballet would start trends; nowadays it seems more likely to jump on band wagons just before they stop rolling. Here is Kenneth MacMillan starting the new season with an attempt to cash in on the popularity of last season's hit composer, Scott Joplin. Actually, only five of the 12 numbers in *Elite Syncopations* turn out to be by Joplin. The programme lists altogether eight composers, four arrangers and an editor, which must surely establish a record. The music is played on stage by a 12-piece band wearing fancy costumes for which they deserve danger money, conducted from the keyboard by Philip Gammon. Fashionable or not, I happen to like ragtime music, although I must admit to having heard many more lively performances. The erudite programme note quotes Joplin: "It is never right to play rag time fast", but that does not necessarily involve so many dragging tempi. Neither could I see much point in Mr Gammon's switching for one number from his concert grand to an upright model which I can

best describe, *pace* John Cage, as an unprepared piano.

At least the choice of music avoids the mistake of stringing together all the best known rags. However, the jokes in MacMillan's choreography are all well-thumbed. For instance, Vergie Derman and Wayne Sleep are given an adaptation of the *Bourree fantasque* joke about the short boy partnering a girl too tall for him. I hope Balanchine gets a royalty. He certainly gets the better of the comparison. There is a distinctly school-boy sense of humour in Monica Mason's solo, based on the belief that the sight of a bum moving from side to side is uproariously funny. Merle Park and Donald MacLeary, on the other hand, are expected to get their laughs by giving dirty looks in the pauses of a straightforward and not notably inventive duet. Michael Coleman has one or two unusual and difficult steps but his solo is so perfectly arranged that they do not add up to much. By far the best dancing comes from Wayne Eagling, sinuous and supple, moving with a really personal style. For some reason his name was excluded from the cast list: lucky man. Not the least embarrassing task imposed on the dancers is that of wearing Ian Spurling's costumes, an anthology of stripes, stars, spots, clashing

colours, unflattering shapes and extraneous decoration which make many of them look misshapen and overweight.

The total effect is of a fifth-rate cabaret. If I were to suggest that Alfonso Cail is a better choreographer than MacMillan, you would think I was joking. But the *Ragtime* which his Frankfurt Ballet showed at Birmingham last month was infinitely more stylish, witty and art, using the music for a real comment on period style and on classicism, whereas MacMillan simply mugs desperately for laughs. It must be admitted that some of the audience, although by no means all, lapped it up. Now that Covent Garden has largely lost its regular audience, there must always be many people present who have come for a social occasion without really caring about, or for, ballet. Perhaps MacMillan has found how to please them. Provided that nobody minds the Royal Ballet sinking into the status occupied a while back by the Paris Opéra Ballet, why should we worry? It is a pity, though, to see a masterly work like *Scènes de ballet*, which opened the programme, suffering too. Slipshod orchestral playing and shoddy dancing insulted Stravinsky's music and Ashton's choreography. At least the Opéra always showed good dancing.

## Los Angeles PO/Mehta

Festival Hall

Joan Chissell

Sad as it was to lose the promised Elgar, it was not hard to understand why the Los Angeles Philharmonic Orchestra and Zubin Mehta chose to end their programme on Monday with a showpiece like Strauss's *Ein Heldenleben*. With playing of such virtuosity and lovely sound in every department, it might be thought unfair to single out the leader first. But his capricious brilliance as the "help-mate" and exquisite sensitivity to the solo near the end were of a quality not often heard on these shores. Of the strings in general, it was the mellow, burnished tone of cellos and basses that

first caught the ear, though needless to say Mr Mehta extracted a sumptuous intensity from the whole section whenever Strauss was out to exult or wail.

Nothing in the woodwind was lovelier than the solo oboe: as a family this group blended almost too harmoniously to sound like dissenting critics. Striding as were the brass in battle, it was the warmth and the soloist sinking into the again impressed most. Though, perhaps, more of a hedonist than an architect of Kemppe's calibre, Mr Mehta certainly made it a tale to remember. The concerto was Brahms's for violin. No need, on this occasion, to pose the question whether the composer was a classic or romantic. Isaac Stern and the conductor were at one in their determination to extract the last drop of human emotion

from every theme. In the first movement, that sometimes weakened the music's basic impact, if not the structure as a whole, and the coda was almost too low enough to spoil some of the contrast of the slow movement itself. But always Mr Stern's phrasing was as appealing as his tone was rich and ripe. The finale was marvellously spirited and robust, with a fine rhythmic kick in the main theme.

For contemporary American novelty there was *Requiem for Survivor* by Gerhard Samuel (born 1924). Quasimodo's "And suddenly it's evening". Mozart's "Lucrimosa", and the death of a friend, cited as motivating forces, should have produced something more memorable than the rather insipid and strident sound effects imposed on a rather naive diatonic background. It was difficult to detect much sustained invention,

## Voice of Ariadne

Sadler's Wells

Stanley Sadie

Theu Musgrave's new opera, which came to London on Monday after its first performance at Aldeburgh in the summer, is in one sense as impressive a piece of work as one would expect from a composer who discovers her own voice more truly with every substantial piece she sets down. The score never fails to hold the attention. Its textures have the vibrancy and inner vitality that her recent concertos have led us to expect; the music truthfully reflects and supports the emotions expressed on stage, like the near hysterical despair of the half-deserted Countess at the end of Act II, or the obsessive preoccupation

of the Count in Act III (with the frenetic mandolin and high horn), or even the humorous ones at the opening of Act II.

Yet the work, for all its underpinning of motif, lacks the backbone of Musgrave's best recent instrumental works; and I am inclined to blame this on the libretto's structure rather than its moments of triteness. The Henry James story on which the opera is loosely based might provide excellent material for a one-act, or a short dramatic cantata. For a three-act opera it needed filling out, with extra characters who add nothing to (indeed subtract something from) the central drama. Further, and more serious, the symbolism of the Ariadne statue lost in the Valer family garden seems confused: we hear "the voice of Ariadne" calling (on tape) to her Theseus, but why is it that her

Theseus, the Count, should be obsessively searching for the lady Theseus? And why should he find her (and thus happiness) in the wife who has been present, and loving, all the time? The answer has something to do with the opera's being about fulfillment through complete mutual understanding, but it does not seem to be an answer to any relevant question. The English Opera Group performance was distinguished by the gentle, vulnerable, pure-toned impersonation of the Countess by Jill Gomer and Thomas Allen's impassioned restraint; there were also excellently characterized contributions in smaller roles, notably from Anne Wilkens, Bernard Dickerson and Malcolm King. There is a skilful production by Colin Graham in atmospheric settings by Peter Whiteham. The composer conducted incisively.

## Vesuvius Ensemble

Queen Elizabeth Hall

Thomas Walker

Rain is no friend to birthday parties: a sparsely settled Queen Elizabeth Hall greeted the Vesuvius Ensemble at the first concert in celebration of their tenth anniversary on Monday. One of the difficulties with such a "broken" ensemble of this kind is that of choosing interesting music which efficiently displays the talents of its members in large and varied groupings. Vesuvius resolved it fairly well by an alternation of the most in and the least in the group, and for 20 minutes or so, the spirit of true farce does take over.

In Prokofiev's *Overture on Jewish Themes*, the visitor was James McLeod, whose violin made up the complement of string quartet, clarinet and piano. The overture is an admirable work (Prokofiev wrote it for friends) with surprisingly little pungency and roughly the amount of development one expects from the loose-jointed tune-bound sonata forms. Vesuvius, led by the energetic call of Charles Tunnell, bit as hard as they decently could. Susan Bradshaw supplied a discreet piano accompaniment; Thea King's clarinet commentary was refined, almost comical, by nicely scaled.

Mozart's Flute Quartet in C (K285b) is one of those pieces which programmes describe as "elegant and charming" for fear of exaggeration or impud-

ence. William Bennett gave an intelligently phrased account of the flute solo, a bit grainy in sound and rather bustling, as if to give second-rate Mozart no more than its due. Second-rate Stravinsky fared little better. I find his Sappho of 1953 wilful and unyielding; at least it did not yield to the ensemble's touch, nor very subtle, a bit short of crystalline precision. Balance was part of the problem: with the pianist's restraint, the strings necessarily carried over from the Prokofiev. Vesuvius ended the evening with an enthusiastic reading of the Beethoven Septet. Coordination of volume between the wind and strings proved hard to resolve and led to an unhappy truce in mezzo forte. But there were many pleasing touches.

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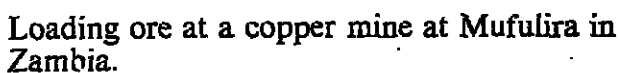


From April's high price of £1,410 to below £600 by the middle of September is a violent movement by any standards. Certainly no one wants to see that repeated.



	1973	1972		1973	1972		1973	1972		1973	1972		1973	1972
United States	1,569,500	1,610,300	14 Poland	155,900	135,000	11 Norway	287,400	25,400	17 Czechoslovakia	8,000	4,700	15 East Germany	1,000	2,000
Canada	1,100,000	1,050,000	22 Yugoslavia	147,700	123,900	18 Cuba	1,000	1,000	4 South Korea	4,500	4,500	16 West Germany	1,000	1,000
China	718,700	718,700	42 China	81,300	112,100	36 South-east Asia	26,900	21,800	20 Brazil	4,500	4,500	24 Italy	900	1,000
Russia	735,400	716,800	43 Japan	91,300	112,100	20 Romania	21,800	14,900	21 Mexico	4,500	4,500	25 Hong Kong	400	400
India	717,700	717,700	44 China	75,700	75,700	17 France	17,000	17,000	22 Netherlands	4,500	4,500	26 Singapore	400	400
Saudi Arabia	490,500	437,500	19 Bulgaria	40,000	38,000	35 Cyprus	18,000	17,500	23 Nicaragua	2,700	2,500	27 Algeria	400	400
Iran	180,500	180,500	45 Finland	9,800	9,800	10 Thailand	11,000	21,000	24 Taiwan	2,400	2,400			
Philippines	231,200	213,700	46 Indonesia	37,900	5,000	32 Uganda	14,200	14,800	25 Taiwan (S. Brazz)	2,400	2,600			
Peru	220,000	217,000	20 Tunisia	35,400	35,400	11 Republic of Korea	10,500	12,200	18 West Germany	1,400	1,300			
New Guinea	180,000	124,000	22 Sweden	32,400	24,800	8 Israel	10,500	10,500	19 World Bank	1,200	1,200			
South Africa	172,000	172,000	23 Spain	32,400	24,800	9 Soviet Union	10,500	10,500	20 Burma	1,200	1,100			

Source: World Bureau of Meteorology Statistics



**World refined output—the major producers  
(in thousands of tonnes)**

	1973	1972	1971	1970	1969
World total	8,492.5	8,064.2	7,563.5	7,563.6	7,183.9
United States	2,065.7	2,048.9	1,780.3	2,034.5	2,009.3
Russia	1,300.0	1,225.0	1,150.0	1,075.0	1,020.0
Japan	950.8	810.0	713.3	705.3	629.2
Zambia	638.5	615.2	534.3	580.7	603.2
Canada	497.6	495.9	477.5	492.6	407.5
Chile	414.8	461.4	467.8	465.1	452.9
West Germany	408.7	399.5	400.0	405.6	409.1
Belgium	391.4	312.8	337.3	286.7	286.7
France	231.7	216.2	207.8	189.0	182.3
China	190.0	175.0	150.0	130.0	120.0
United Kingdom	184.3	180.7	187.6	206.2	198.2
Australia	175.5	173.8	161.5	145.5	138.6
Poland	158.4	131.0	92.7	72.2	54.7
Yugoslavia	137.5	130.0	92.6	89.3	82.0
Spain	122.9	88.9	73.2	62.8	76.0
South Africa	122.9	79.5	73.3	61.2	61.2
Mexico	61.9	64.0	59.7	53.7	57.0
Sweden	59.5	51.6	50.1	51.6	51.8
East Germany	50.0	45.0	40.0	40.0	40.0

**World refined usage—the major consumers  
(in thousands of tonnes)**

	1973	1972	1971	1970	1969
World total	8,632.4	7,907.9	7,307.2	7,272.4	7,152.3
United States	2,175.4	2,028.6	1,829.9	1,854.3	1,944.3
Japan	1,166.9	938.3	805.7	820.6	805.9
Russia	1,100.0	1,080.0	1,030.0	980.0	930.0
West Germany	727.2	672.2	630.5	697.5	655.7
United Kingdom	546.6	524.7	511.3	553.7	546.6
France	497.8	390.2	340.3	330.0	334.8
China	300.0	270.0	250.0	200.0	180.0
Italy	287.7	283.0	270.0	274.0	238.0
Canada	248.2	223.6	220.4	229.0	221.7
Belgium	164.4	153.0	147.0	145.0	138.0
Spain	135.7	121.2	94.5	108.2	96.22
Brazil	125.3	110.6	95.3	73.9	83.0
Australia	119.6	102.1	110.4	105.6	102.0
Sweden	114.0	96.9	81.4	80.0	85.2
East Germany	90.0	90.0	90.0	90.0	90.0
Yugoslavia	80.0	63.3	67.9	78.2	75.0
Mexico	66.0	64.0	60.0	54.0	54.0
South Africa	62.7	47.4	42.1	35.0	34.7
India	82.5	83.0	61.0	50.1	50.8


Table includes production from blister and other primary metals, together with secondary production from scrap and other similar materials. It does not include copper recovered from secondary materials by simple remelting.  
Source: World Bureau of Metal Statistics.

The table shows consumption of unwrought refined copper, whether refined from primary or secondary materials. The direct use of copper in scrap form is excluded.  
Source : World Bureau of Metal Statistics.

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## Equestrianism



**By Pamela Macgregor-Morris**

## Cricket

The first-round is to be played on June 25, the second on July 16.

## Rugby Union

**By Peter West**  
**Rugby Correspondent**

## New Warwickshire caps for first game

Sam Doble makes a rare midweek appearance for Moseley when they play Gloucester at Kingsholm tonight. He replaces Blagg, who is played full back in all Moseley's midweek games this season. The only change from the defence which beat Sale 57-6 on Thursday, is at stand-off half. Cooper is unavailable and Aikenhead, formerly with Cheltenham, takes his place.

Oxfordshire make two changes the side to meet Hertfordshire in the county championship at Wexley Green this afternoon.

than a round by Ernie Shavers at Madison Square Gardens though

## of captain's dictatorship

## shire caps for

first thought. He is not likely to be back in action before December and this could spoil his prospects of getting an England trial. Anderson continues at full back in an unchanged team against Bristol at Sudbury on Saturday.

British Lion Alistair Biggar returns against Rosslyn Park at the Athletic ground. Michael takes over in the back row from Whitehead and Alistair replaces Risk in the centre.

Blackheath, who had their side against Birkenhead Park last week decimated by a 'flu epidemic, will

**Sterling to box Elijah Makhadmeh in South Africa.**

## statorship

## first game

Leicester. They replace Bond and Slattery for their first senior games since the club's West Country tour which opened the season.

David Caplan.-Tony Bottomley and Terry Donovan, who were in the Yorkshire side last week, return to Headingley for their home match with Huddersfield on Saturday. It will be the first occasion in seven years that these two clubs have been able to meet each other on a day when none of their players had country commitments.

## Golf

11

**WORLD**

## Tennis

From Rex Bellamy  
Tennis Correspondent  
Madrid, Oct 8

# 11111

[illegible]

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## Gloomy outlook as consumption wanes

Without copper life is not possible. However, there is a need to panic, for the minute quantities required for health are usually obtained through the normal intake of food and water. In agriculture it is an essential trace element in the soil.

For the broader spectrum copper is the oldest modern metal, as an international metal it has a tremendous impact on standards of living. Not only is the metal for industrialized countries but for some Third World nations their very existence depends on it.

Over the past year or so producers have enjoyed on conditions with high prices and strong demand. Recently consumption has waned and the outlook far from rosy. Indeed, the very high cost of copper (Chile and to a lesser extent Zambia) the price is rising on the broad line.

In the past 125 years copper consumption has exploded. In 1900 it had jumped tenfold. Last year consumption reached its highest level of 32,000 tonnes, giving a monthly average of 719,000 lbs or almost one and a half times the figure for the year of 1900.

By the year 2000 consumption, it is expected, will have doubled and may be four times that of 1974. This will reflect needs of a growing world population, particularly in developing countries. Copper consumption in these areas is expanding faster than in industrialized nations.

At these levels there are doubts that the world will run out of copper, but there is little fear of this. Experts predict some 30 years ago the metal would run out by 1970.

Last December the International Wrought Copper Council analysed 1972 reserves and estimated workable copper reserves at 348 million tonnes. If output continued at the 1972 level reserves would last 50 years but this would drop to years if the normal

growth of 4.1 per cent a year is taken into consideration. But there are several important factors that could, and most likely will, lead to fluctuations in the reserves figure. Principal among these is the exploration of new areas, including the seabed. The council added that shortages, whether real or artificially created for political reasons, may lead to an intensification of geological exploration.

Improved production techniques or high prices could make previously unworkable deposits of low copper content economical. In contrast there is the possible increase in the use of substitutes, particularly if copper costs become prohibitive.

Substitution for copper will also be brought about by the development of more efficient materials. The generation of scrap, which, the council reported, accounts for some 40 per cent of all copper used, is expected to increase as substitution results in a larger amount of scrap in the short term. However, this is expected to decrease in the long term, leaving a greater part of all copper consumed to be accounted for by virgin metal.

One thing that may inhibit the development of known resources is pressure from environmental conservationist elements. Snowdonia National Park springs to mind in this sphere. In the United States and Japan stringent pollution laws have severely curtailed expansion of smelters as well as increasing costs.

In spite of the many problems inherent in extracting copper, world mine production has steadily expanded over the years. In 1973 output topped 7,500,000 tonnes for the first time; this was nearly 500,000 tonnes more than a year earlier.

The average monthly figure reported by the reliable World Bureau of Metal Statistics was 586,200 tonnes in 1972 and 626,200 in 1973, while in the first quarter of 1974 it had grown to 630,000 tonnes.

This year's output will be sharply raised by Chile, the world's fourth largest producer. In 1973 mine produc-

tion was 735,400 tonnes, while in the first half of this year it was 431,000 tonnes. Provided no unforeseen event occurs Chile could reach 850,000 or possibly 900,000 tonnes.

Refined production has also grown at a remarkable pace and last year a peak of 8,432,500 tonnes was achieved. But because of heavy and sustained demand refined consumption leapt 700,000 tonnes and for the first time for many years it was higher than production.

Use in Japan was outstanding. Not only was the total a record 1,165,900 tonnes but the year to year increase, at 228,600 tonnes, was the biggest ever recorded.

This boom, however, has come to an abrupt end and Japan will probably have to struggle to consume a million tonnes this year. Hitting the country like a karate chop was the huge increase in oil prices late last year. Japan being almost solely dependent on oil for energy, the price rises rapidly turned boom into recession.

So intense was the reversal that copper was sold on quantities. In spite of falling prices this selling has continued, with guesses up to the middle of September at 200,000 tonnes, or more than a sixth of Japan's consumption last year.

It is little wonder, therefore, that the Cipec countries—Chile, Peru, Zaire and Zambia—are considering sending a mission to Japan to ask for Japanese restraints on copper exports.

As a group of developing nations Cipec (Conseil Inter-gouvernemental des Pays Exportateurs de Cuivre) has every reason to complain. But the damage has already been done with the world price dropping from a peak of \$1,400 to \$600 a tonne.

However, Mr Sacha Guernik, Cipec's executive director, men with a practical success in that Japan's monthly copper exports were cut by half. But Japanese government sources said stocks were still at a high level and were threatening to rise even further. Exports may, it was said, reach 350,000 tonnes by the end of next March.

For years since its formation in 1967 the Cipec countries have threatened the copper world with "a master plan" to ensure a profitable return on their production. As yet this appears to be just talk.

However, with sinking



Sir Val Duncan, the chairman and chief executive of the Rio Tinto Zinc Corporation, is the principal speaker at today's American Metal Market forum at the Café Royal, London. Sir Val, who is also a director of the Bank of England and is on the board of British Petroleum, will discuss the international outlook for mining and metals.

## Five-minute bedlam in a fair exchange

Hidden away in a short avenue with various meat, fish, and vegetable aromas attacking the nostrils lies the London Metal Exchange. Since 1882 the LME has stood beside the Leadenhall market in the heart of the City. It is here that the world anxiously looks for the LME's most important function—the copper price.

Precisely at noon on each business day some 30 dealers with their assistants gather in this small corner of London. Sitting in a circle, copper prices are shouted across the floor of the "ring". At 12.05 the first copper call ends.

In those five minutes thousands of tons can change hands. The monetary value of this runs into millions of pounds. Frequently the noise is deafening and often the dealers are sitting on the edge of their seats, seemingly tense with excitement. It is rather like the boxer anxious for the bell to ring so that he can polish off his opponent.

For the uninitiated it is bedlam and incomprehensible. Yet, from this extraordinary event, the world's copper price is evolved. This is flashed across the globe via Telox, telephone and news agencies and producers, consumers, merchants and dealers know almost instantly whether the price is right for them to buy, sell or wait.

Further five-minute calls are made at 12.35 (for the wire bars contract), 12.40 for cathodes and, after 1.05, there is a free-for-all where trades can be made in silver, tin, lead, zinc and copper. This usually finishes about 1.25 pm.

In the afternoon copper has a call at 3.45 and again at 4.15 (wire bars) and 4.20 (cathodes). A further free-for-all begins after 4.35 and lasts about 20 minutes.

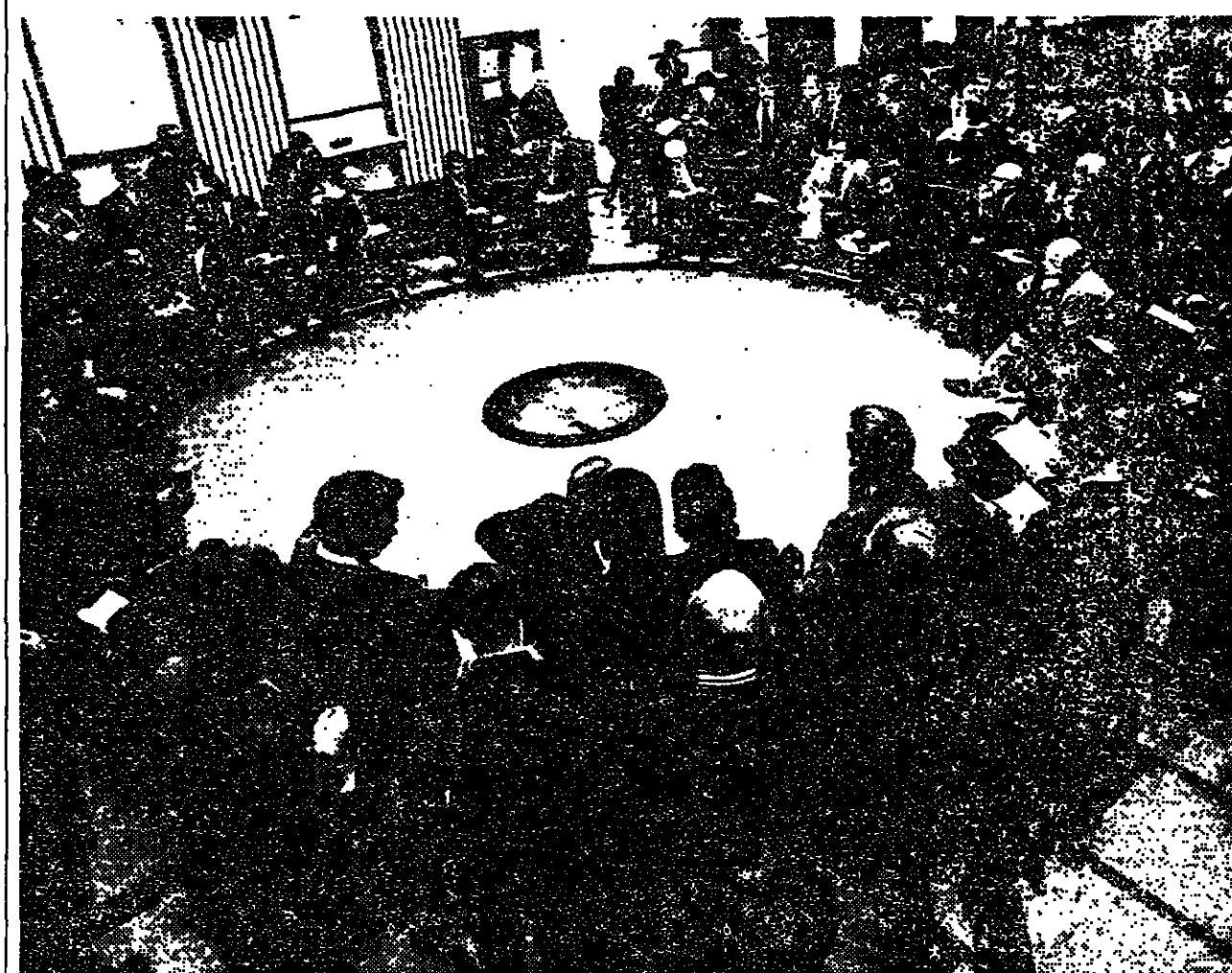
In price terms copper has been through its most bizarre period. At the beginning of 1973, with the price in the middle \$400s, nobody would have dreamed of a \$750 price, let alone \$1,000 a tonne. Yet, on April 1, 1974, the cash wire bars price was traded at an all-time high of \$1,410.

So many implications for a price rise were seen during the 13 months that it was almost unbelievable. The world's two principal exporting countries (Chile and Zambia) met many problems.

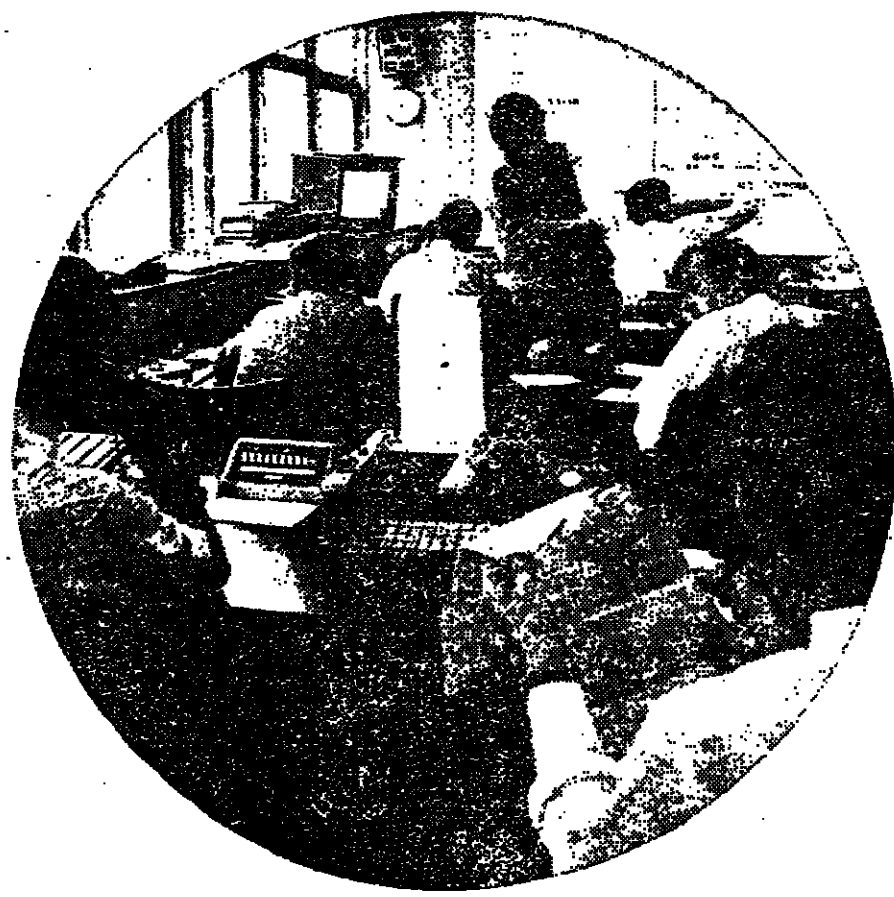
Chile struggled unavailingly with refined production difficulties (losing about 46,000 tonnes in 1973) while Zambia suddenly had to find alternative means of transporting its copper after a clash with Rhodesia. This held up material for some time.

Many individual producing companies became beset with all manner of troubles and had to declare *force majeure* on copper shipments, thus reducing the flow to consumers.

Currency crises inevitably appeared which caused speculators to enter metal markets continued on facing page



The London Metal Exchange where the world anxiously looks for the copper price.



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continued from facing page  
kets—and copper, in particular—to find a safer haven for their funds rather than hold paper money which may have been devalued overnight. War erupted again in the Middle East.

Topping even these bullish factors was the world-wide boom in industrial activity. With production troubles galore, stocks were rapidly reduced.

On December 2, 1972, the LME warehouses held stocks of a record 192,100 tonnes. By June, 1973, they had fallen to 42,325 tonnes and, in March, 1974, they were almost at the crisis level at 10,475 tonnes.

That the copper price advance continued after the Arab oil shock owed much to the strength of demand. But warnings were being sounded from several quarters that economic activity would slow down, thus curtailing copper requirements.

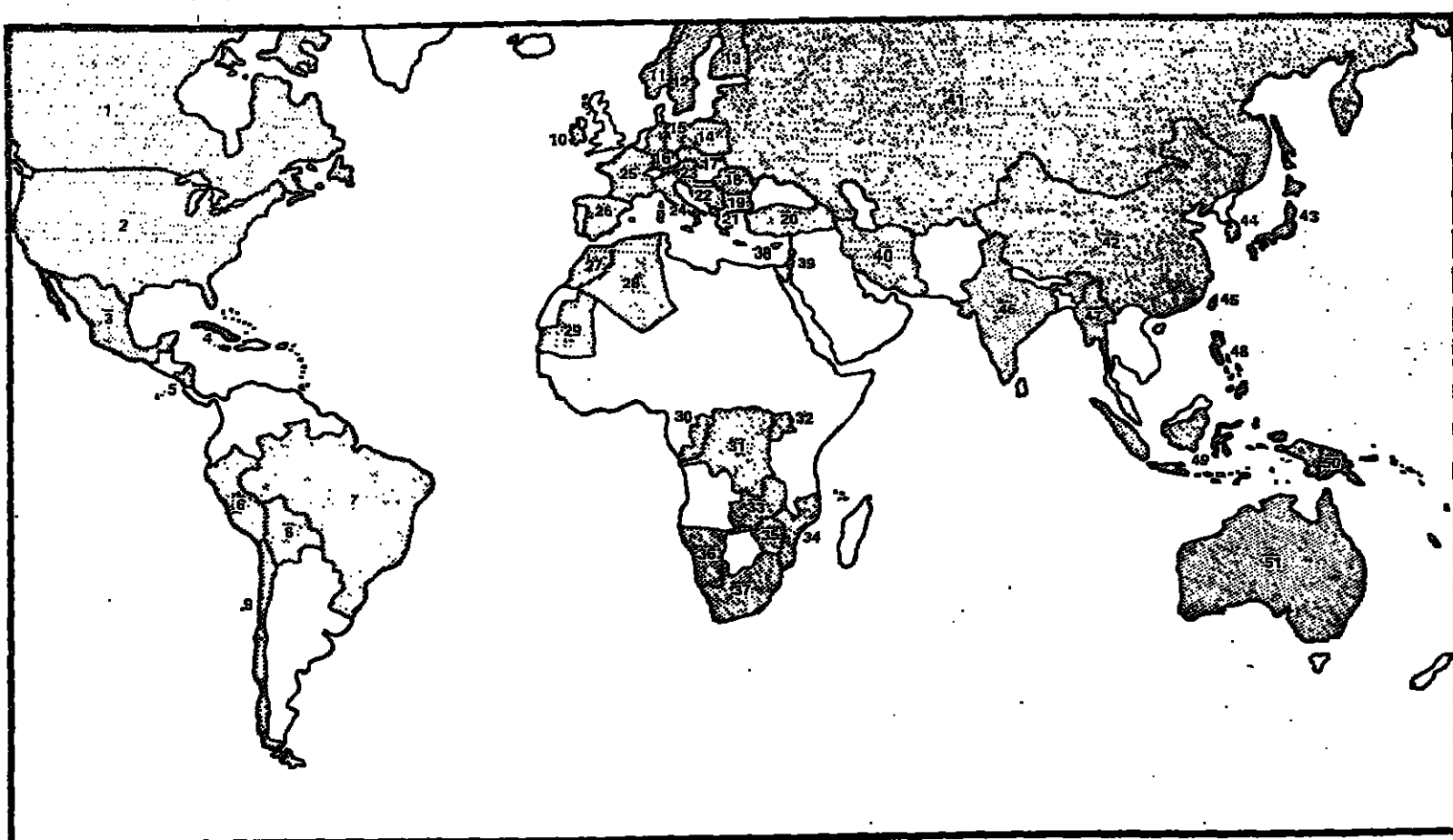
A large United States company attempted to make a "killing" by selling copper it did not own, hoping to buy it back at a cheaper rate before it was due for delivery. About 22,000 tonnes were involved in London alone, but the price went even higher.

As this company failed to meet calls for additional margins, heavy covering became necessary. Consequently, the price of £1,200 a tonne was seen and passed. But it cost the LME dealers an estimated £3.8m. It is a great credit to the members that this was absorbed with the minimum of fuss.

Meanwhile, Japan began selling copper on the world markets, mainly the LME. This soon began to be reflected in stocks. But the price held above £1,000 to the middle of June, principally on expectations of a strike in the United States copper industry. However, the stock position became increasingly significant.

With the United States strike situation fizzling out, albeit reluctantly, prices began to recede, slowly at first then more rapidly. LME stocks had increased to more than 80,000 tonnes and the price had plunged back to the level of May, 1973.

From April's high price of £1,410 to below £500 by the middle of September is a violent movement by any standards. Certainly no one wants to see that repeated.



World mine production (in tonnes)

1973	1972	1973	1972	1973	1972	1973	1972	1973	1972	1973	1972
United States	1,558,500	1,510,300	Poland	155,000	135,000	Norway	28,400	25,400	Czechoslovakia	5,000	4,700
Russia	1,100,000	1,050,000	Yugoslavia	147,700	123,900	South-west Africa	26,300	21,500	Cuba	8,000	3,000
Canada	815,100	718,700	China	140,000	135,000	Spain	21,500	14,900	Brazil	4,500	4,000
Chile	735,400	718,800	Japan	91,300	112,100	Mauretania	21,800	17,000	Mozambique	4,200	4,000
Zambia	708,600	717,700	Mexico	80,500	78,700	Romania	20,000	17,000	Morocco	4,100	3,800
Peru	690,500	457,300	Bulgaria	40,000	39,000	Cyprus	15,000	17,300	Nicaragua	2,700	2,500
Australia	221,600	180,500	Finland	38,200	34,800	India	15,000	11,000	Austria	2,700	2,500
Philippines	221,300	213,700	Indonesia	37,800	5,000	Uganda	14,200	14,500	Taiwan	2,400	2,200
New Guinea	180,000	124,000	Sweden	35,000	25,000	Ireland	13,600	13,600	Congo (Brazz)	1,400	1,400
South Africa	175,800	161,900	Rhodesia	32,400	21,800	Bolivia	8,300	8,400	Iran	1,200	1,100
						Albania	7,000	6,700	Burma	1,200	1,100

World total 7,514,400 7,033,900  
Source: World Bureau of Metal Statistics



Loading ore at a copper mine at Mufulira in Zambia.

World refined output—the major producers (in thousands of tonnes)

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World total	8,482.5	8,064.2	7,563.5	7,183.9
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Australia	175.5	173.8	161.8	145.5
Yugoslavia	137.5	130.0	92.6	89.3
Spain	122.9	88.9	73.2	82.8
South Africa	90.6	79.3	79.2	75.3
Mexico	61.9	64.0	59.7	53.7
Sweden	59.5	51.6	50.1	51.6
East Germany	50.0	45.0	40.0	40.0

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Belgium	164.4	153.0	147.0	145.0
Spain	135.7	121.2	94.5	108.2
Brazil	125.3	110.6	95.3	73.9
Australia	119.6	102.1	110.4	105.6
Sweden	114.0	96.9	91.4	80.9
East Germany	100.0	90.0	90.0	90.0
Yugoslavia	80.0	63.3	67.9	78.2
Mexico	65.0	64.0	60.0	54.0
South Africa	62.7	47.4	42.1	35.0
India	62.5	63.0	61.0	50.1

The table shows consumption of unwrought refined copper, whether refined from primary or secondary materials. The direct use of copper in scrap form is excluded.  
Source: World Bureau of Metal Statistics.

#### Violin joins the brass section

A retired German engineer, Herr Peter Ludwig Recktenwald, built a brass violin in 1971. It was found to be capable of producing music of high tonal quality.

Lunar samples brought back by Apollo 11 and submitted to the Institute of Geological Sciences in London for examination revealed slight traces of copper.

Experiments in Brazil with a large variety of fungicides available on the market for fighting coffee leaf rust have proved that fungicides based on copper are the most efficient.

## Beatable but highly prized

Copper was discovered and first used by neolithic man during the late Stone Age about 8000 BC. The attractive colour and the ease with which it could be beaten into useful shapes were highly prized.

It is believed that copper was first smelted from ore about 3500 BC. This probably occurred by accident when fire came into contact with copper bearing ores.

The early development was most advanced in Egypt and copper weapons and implements were said to be left in graves for the use of the dead.

Cyprus was an extensive producer about 3000 BC. The Romans used most of the ore and called it *cuprum* (ore of Cyprus) but this was shortened to *cuprum* from which comes the English name copper.

There is evidence that early workers knew that the addition of tin to copper would result in a much harder substance. This alloy, the industry developed, zinc.

bronze, was probably the first alloy made and it found particular favour for making cutting implements. Some of the more practical applications included polished copper mirrors while bronze was used by the Romans for razors, coins and musical instruments.

About 2750 BC copper was already being used for water pipes at Abusir in the Nile Delta. Brass, an alloy of copper and zinc, was used for many purposes in the Middle Ages and in pure brasses were common even in Roman times although zinc was not identified as one of the elements for another 1,500 years.

In the early eighteenth century Swansea was becoming a major copper centre and by 1860 was smelting about 90 per cent of the world's output. Originally, Swansea obtained most of its ore from Cornwall and some from Anglesey, but as the industry developed, zinc.

During the nineteenth century Birmingham became the main centre for non-ferrous metals in Britain, a position which she holds.

Copper ore deposits are widely distributed, both geographically and geologically. No two ore deposits are identical and the method of mining is therefore dependent both on its proximity to the earth's surface and the rock formation in which the ore is embedded.

As the Copper Development Association says in its booklet *Introduction to Copper*, the metal has served the world for thousands of years and its unique characteristics will ensure that it maintains an important role in future advances of civilisation.

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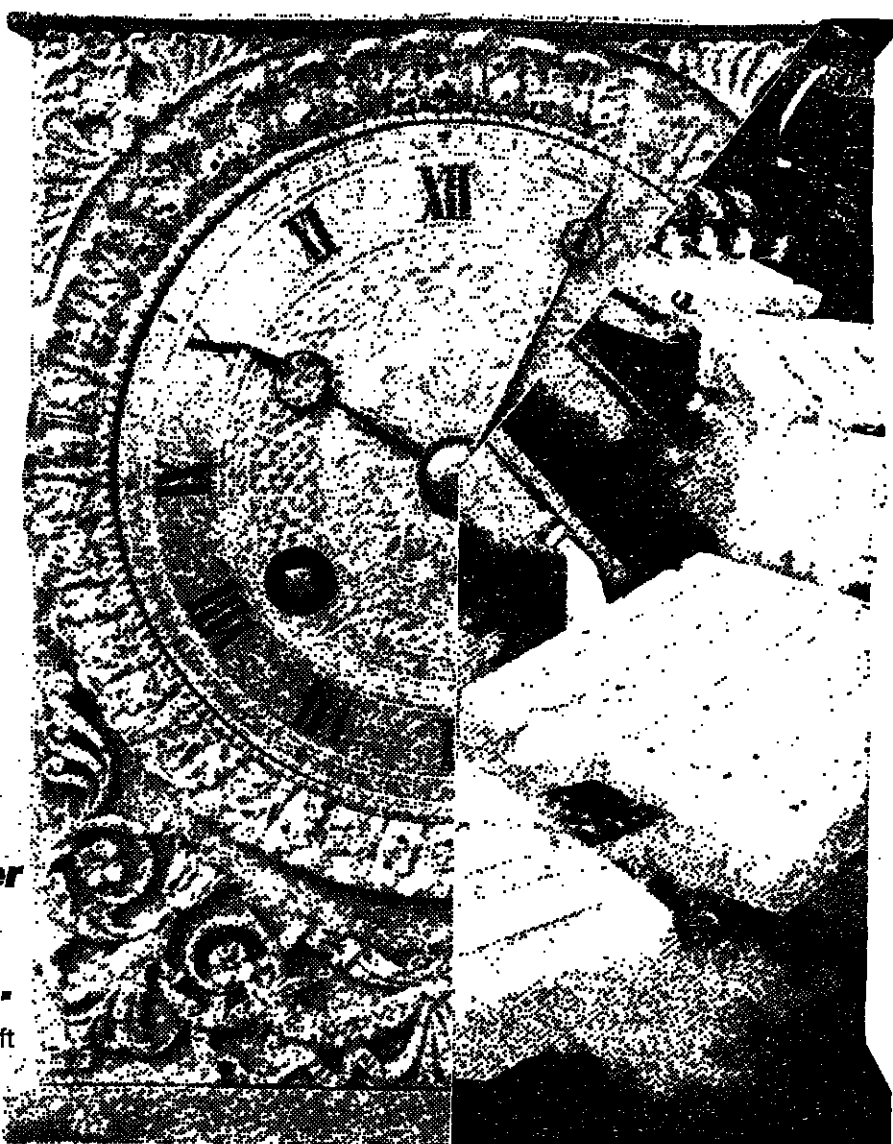
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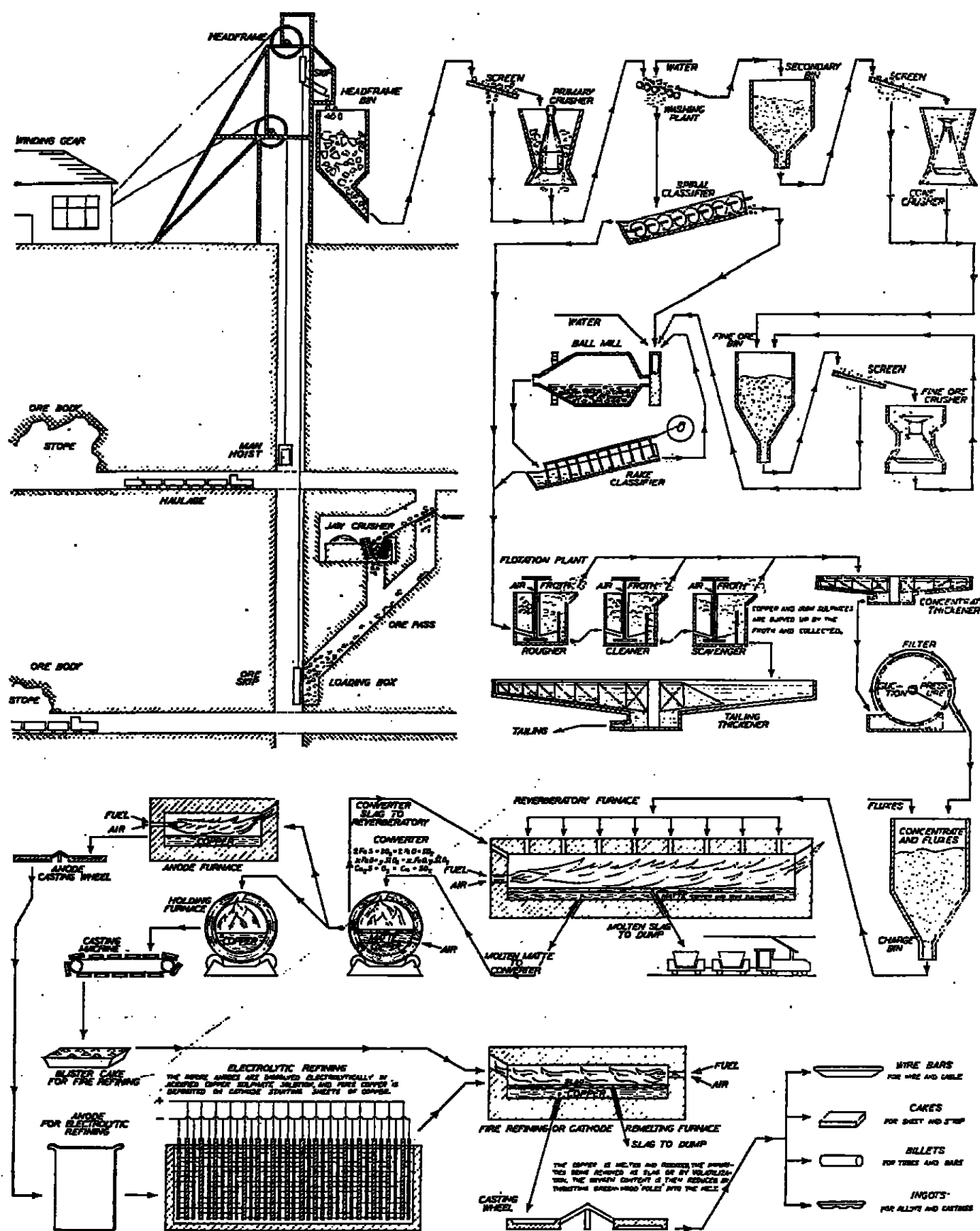
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## The production from sulphide ores

This simplified flow sheet shows a typical sequence of operations for the direct smelting of flotation concentrate. Numerous variations are possible.



Copper Development Association

## Pig farmers draw profit from a good licking

With the innumerable uses of copper it is most interesting that these are not surprising that producers and fabricators joined forces and formed the Copper Development Association (CDA). This non-trading organization was established in 1933, to encourage the use of the metal and its alloys and to promote their correct and efficient application. The association's services include the provision of technical advice and information, which are available to those interested in the uses of copper. It provides a link between research and the user industries and maintains close contact with other development organizations throughout the world. The CDA publishes many technical notes which have considerable educational value. Indeed, over the years, some have become accepted as standard works of reference. The association also publishes various booklets, and one of these is most interesting of these is *Copper in Farming*. Dr R. Braude, of Reading University, it records, observed that pigs in a newly-erected piggery were licking copper fittings, and this led to the important discovery that copper had growth promoting properties. Dr Braude frequently saw the pigs fighting for access to copper rings which had been fitted in place of steel to prevent rusting. After a year no rings were left—they had been licked away. To prove that it was copper the pigs actually craved for, small plates of six different metals (aluminium, brass, copper, magnesium, nickel and tin) all painted alike, were placed in the pens. The pigs soon uncovered first the copper and then the brass (copper-zinc alloy) plates, leaving the others untouched. Since Dr Braude's discovery scientists all over the world have been experimenting with feeding copper sulphate to growing pigs. After carefully controlled trials in a number of countries it is now firmly established that the inclusion of copper in the diet of fattening pigs may be expected to produce, on average, an increased growth rate of about 10 per cent, with an improvement in feed conversion of nearly 8 per cent. Looked at another way, one kilogram of copper sulphate put into one metric ton of meal can result in pigs reaching bacon weight nearly two weeks earlier with a saving of about 25 kilograms of meal. The United Kingdom headquarters of the CDA is at Orchard House, Mutton Lane, Potters Bar, Hertfordshire.

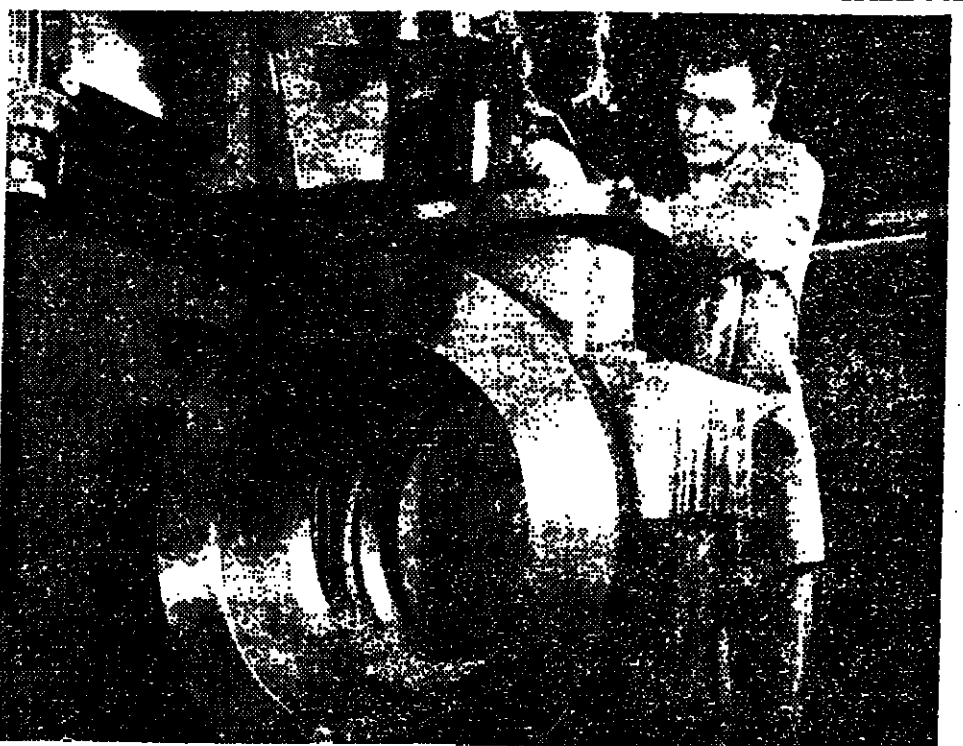
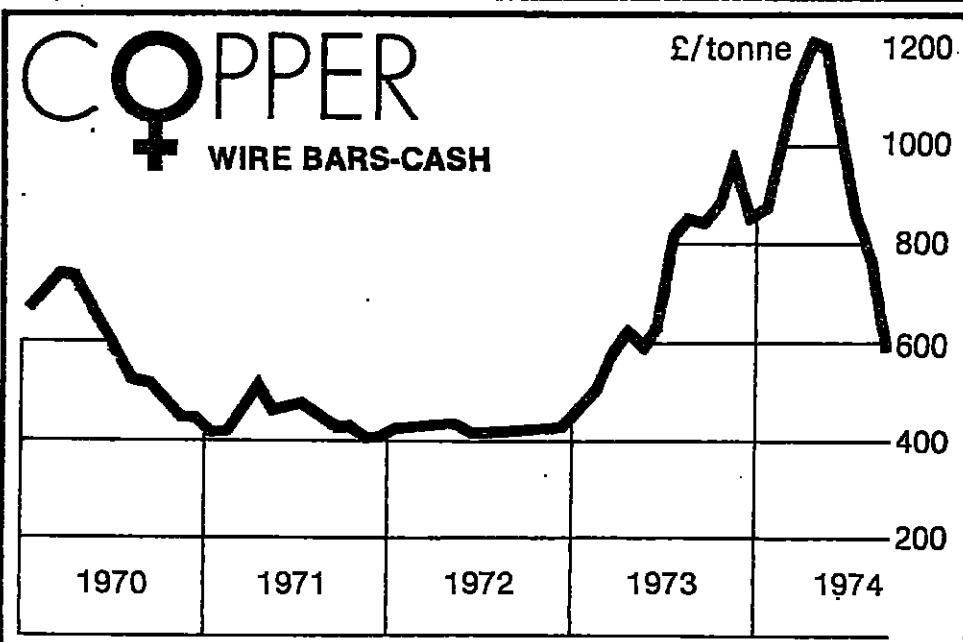
### At the top

Copper is widely used throughout industry. Its applications are found in a vast range of goods from electrical wiring, car radiators and refrigerators to piping, power cables and roofing.

The many light green roofs that are seen in many parts of the world are made of copper. Prominent in London are the Old Bailey, the Commonwealth Institute, the Planetarium, the domes on Westminster Cathedral and the large dome on the British Museum.

The building which, it is believed, contains the most copper is the new Imperial Palace in Tokyo. The original palace was burnt down in the Second World War and rebuilding started in 1965. More than 400 tons of copper were used on the roof and wall cladding alone, in addition to a large tonnage in the plumbing, heating, electrical and mechanical services.

An analysis of industrial consumption shows that the electrical industry is top with 48 per cent followed by construction and general engineering both with 16 per cent, transport industry, 12 per cent, and domestic and miscellaneous uses, 8 per cent. These figures apply to the West but there are considerable differences between countries.



A giant gate valve which handles corrosive chemical mixtures in a new copper solvent extraction plant at Chingola in Zambia.

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## THE BEST RESULT WOULD BE A CONSERVATIVE-LIBERAL COALITION

This is the moment to sort out what has been established and what has not been established in the election campaign and to try to reach a conclusion about it. The most important question seems to us still to be unanswered. None of the three parties has presented a satisfactory account of its policy towards inflation; we are not optimistic about the handling of inflation whatever government is formed.

The differences on economic policy are, however, important. The Conservative manifesto, with its relatively high emphasis on monetary policy and its flexible approach to incomes policy, seemed the most satisfactory combination. The Liberals deserve credit for their open acceptance of the need for statutory incomes control and are probably right in moving to the view that a freeze will prove unavoidable. On the other hand the Liberals have not left the impression that they understood the significance of monetary policy and their anti-inflation tax proposal is not convincing.

The Labour Party is in a stronger position to deal with the trade unions—though Mr. Len Murray has made it clear that the TUC will deal with any government—and the friendship of the unions is an important potential advantage. On the other hand it is surely wrong to rely on the social contract as much as Labour policy does; so far the social contract has not prevented an explosion of wages. Mr. Healey's attempt to pretend that the inflation rate had been brought down to 8.4 per cent casts doubt both on his competence and on his sincerity. Even in an election campaign it is not forgivable to try to delude people in this way.

The important point is however that a party has managed to give a satisfactory account of its policy intentions on inflation. Whatever government is formed will have to develop policy under the pressure of events. That policy will probably require a combination of gradual stabilization of the money supply, reduction in the taxation companies pay on the notional benefits of inflation, and a freeze to give monetary policy time to work.

### Weakened

The Conservative Party has limited its specific programme on the very reasonable grounds that the economic situation will not permit even many desirable increases in government expenditure. This impression has been weakened by the decision to subsidize mortgages and abolish rates. This we believe to be wrong. In the present situation we ought to be moving away from subsidies rather than towards them, and in particular we ought not to introduce new subsidies which are not specifically directed to the support of those who suffer most from inflation. The abolition of rates would make the achievement of a balanced Budget much more difficult.

The Liberal manifesto had more proposals in it and on the whole it suffered from the contrast. Liberal policy was not much changed between the February election and this one; the manifesto seemed as a result to be slightly out of date. The Liberals have a very strong point in their absolute commitment to electoral reform, and the Conservative shift towards reform is also welcome. We do not believe that the multiple member constituency is the best way to achieve electoral reform. The German system, with contests in single member constituencies

topped up from a parliamentary list, avoids putting members of the same party into contest with each other and also avoids the almost automatic exclusion from a reformed Parliament of almost half the members of the old Parliament that is asked to enact the reform.

The Labour Party programme contains a number of proposals to which specific objection ought to be taken. The idea of a referendum on Europe, though superficially attractive to some people, is an anti-parliamentary idea. At the present time Europe should be organizing herself for a united effort to overcome the crisis of world inflation and the concomitant threat of world depression. It is selfish and inadequate for this work—on which the prosperity of the whole of the European Community must depend—to be delayed by a British renegotiation under threat of withdrawal.

### Objectionable

The proposals for nationalization, which are extensive, are also objectionable. There is no case for further nationalization of British industry, and there is considerable evidence that workers in nationalized industries have come to resent the remote and inhuman impression which these vast bureaucratic corporations leave. It is true that the nationalized industries have invested more proportionately than the rest of British industry, but they have produced less proportionately with their investment. Their record is one of waste of capital, waste of assets and waste of manpower. Until the present nationalized industries have been brought up to the level of independent industry there should be no additions to them.

We also believe that increases in the higher rates of taxation on income and capital have gone more than far enough. There are no adequate expectations for many of the higher paid men in industry, as they are pushed by inflation into our higher tax brackets. As capital values on the Stock Exchange have fallen to their lowest levels in real terms since 1940, there is need for recuperation of capital markets. A collapse in the stock market damages confidence, damages industry and damages pension funds. A holiday from new taxes for the next few years would allow recovery to take place, and for the capacity to bear tax to be recreated.

The economic crisis is very likely to produce a coalition well inside the next five years, and the Conservative attitude towards a government of national unity contrasts favourably with that of the Labour Party or the Liberals. The Labour Party excuse is that it is impossible for people who do not agree on fundamentals to work together. That observation, if true, would make it impossible for the Labour Party, which contains fundamental disagreements between its right and left wing, to continue to exist at all. The Liberal Party seem unable to agree on their attitude to a coalition. They will never achieve their objective of electoral reform without going through a coalition to get it.

No one can predict an election result. There seem to be two possible results which would be very bad. A large Labour majority, such as most of the polls have predicted for most of the campaign, would weaken the power of the moderates inside the party, and would commit the country to a large extension of socialism which perhaps only a

quarter or less of the total electorate really want. A big Labour majority would not control inflation, but might try to turn Britain into a socialist country, with all the frustration and resentment that would cause.

The other really bad result would be a stalemate which gave the Ulster Protestant group a deciding voice. Mr. Powell has repeated in his Ulster campaign the very serious fault of his campaign of encouraging the communal hostility of one group to the point of encouraging their communal hostility against another. If a situation arose which magnified his influence, the effect would be malign.

There are two other outcomes which would be easier for the Conservatives to accept. One, which is perhaps the most likely, would be a small overall Labour majority. Even in this case the substantial disadvantages of Labour government would be felt, and the class hostility of the Labour manifesto would be given legislative effect. Yet with a small majority the moderates in the Labour Party would not be swamped by the left, and the Government would be able to show whether their claims about the social contract had validity in them or not. Unfortunately even a small Labour majority will probably produce a gratuitous national crisis over Europe.

The best result in our view would be a small overall Conservative majority governing with some Liberal support, or a combined majority for the Conservatives and Liberals. If the Liberals had indicated their willingness to join in such a coalition we would certainly have advised that a Liberal-Conservative coalition ought to be the national objective in this election. Such a coalition could well make a good government. It would have to be based on a commitment to electoral reform. It would make a conscious effort to draw the nation together socially. It should follow the Liberal rather than the Conservative policy towards Scotland and Wales, and it should be a condition of such a coalition that Mr. Grimond would be Secretary of State for Scotland. At the same time a Conservative-Liberal government would have the experience of the Conservative Party in actually governing. It would be united in trying to make a success of Europe, rather than frittering away our European strength. Mr. Healey's understanding of Europe is an important national asset; he is a great European figure.

### Justifiable

Beyond that it is vital in any case to elect a good Parliament to deal with great dangers. The objective of a good Parliament means that electors should step outside their normal party commitments in order to vote for good members of all parties. It would be justifiable to do that for Mr. Mayhew in Bath or for Mrs. Williams in Stevenage and Hertford. It would be justifiable on the same grounds to vote for some of the younger Conservatives whose seats are in danger like Mr. Hayhoe in Chiswick. It is in the same spirit of looking for the best people, rather than voting the straight ticket, that a Conservative-Liberal coalition, such a government would be European, progressive, internationalist, unsympathetic to further nationalization and relatively realistic about inflation. It might well still fail, but it might also revive the spark of hope that Britain needs.

## A NEW TYPE OF ELECTION IN SCOTLAND

Until this year elections in Scotland have been to all intents and purposes an extension of the campaign in England. The emphasis on issues and the movement of opinion may have been different, but it has been recognizably the same contest. That is no longer true. The rise of the Scottish National Party has transformed the battleground. In the past they were often a factor at scarcely a force. Their intervention might determine which of the main parties won in a particular constituency, but until 1970 they had never won a seat in a general election. Signs of a possible breakthrough became apparent in February when they won seven seats, but it was not clear then whether this was more than a much enlarged rosette vote—in which case it would have been no more than the Scottish equivalent of precisely the same trend in England. Their strength now distinguishes this campaign from previous general elections in Scotland and from the battle which was waged in England. That will remain true whatever the outcome may be.

Opinion polls have given the SNP 28 to 30 per cent of popular support throughout Scotland. That puts them in second place comfortably ahead of the Conservatives. The significance of that is not so much as a guide to how many seats the SNP will win, but

as an indication of how many contests have been changed from a straight Labour-Conservative battle into a struggle between the SNP and the sitting member of whatever party.

This does not mean that it has in fact become a single-issue campaign, much as the SNP would like it to be. In many constituencies the contest is being waged on two levels. First there is the question: who can do most for Scotland? All parties have responded to this with their proposals for a Scottish assembly of one kind or another. The SNP have responded by trying to spread their appeal beyond those who share the ambition for independence. Only a minority of Scottish people—no more than about one in five to judge by the polls—want to leave the United Kingdom. But there is a much broader sector of opinion which wants Scotland to have a better deal within the United Kingdom. The SNP, while themselves wanting independence, are also trying to woo this second group with the argument that the election of SNP members of Parliament is the best way to push the Westminster Government into making concessions to Scotland—and they already have a fair amount of supporting evidence since February.

But then there is the second question: who can best govern Britain? A number of people

who would otherwise be prepared to vote SNP may have a strong preference for a Labour or Conservative Government in London. So there is in many minds a conflict between new and old loyalties, and uncertainty as to whether it is safe to vote SNP without letting the dreaded enemy into office at Westminster. This is particularly evident in the conflict between a sense of working-class solidarity and nationalist aspirations in Labour-held seats. But the SNP could also benefit from some voters being concerned above all with the complexion of the next United Kingdom Government. The nationalists could gain a number of seats simply from tactical voting, especially from Conservatives in some key constituencies switching their votes to SNP just in order to defeat Labour.

It has been said on a number of occasions that this election will be determined in Scotland. So it may be. But another conclusion can already be drawn from the campaign there. There is a new confidence, a new mood of assertion, to some extent a new selfishness, running in Scotland now. No doubt this is largely the product of the oil around her shores. She may not want to separate herself from Britain but she has become more of a distinct force in British politics than at any time within memory.

## Election issues: union attitudes to labour flexibility

From Sir Iain Stewart

Sir, We read and hear a variety of erudite opinions about the causes of inflation but surely within the industrial economy of the United Kingdom the disease is so much worse than it is with our competitors due to our excessively low productivity, which arises mainly from gross overmanning in the traditional craft industries.

It is evident that politicians, employers and trade unionists carefully avoid referring to this critical factor because invariably the elimination of overmanning and the higher productivity which results can only be achieved through change of employment. In Britain this means redundancy and, therefore, unemployment and all the indignities that go with it—and to even talk about redundancy not only generates threatened strike action but also loses votes!

With more than 600 unions being free to apply their own laws of the range of skills are being paid handsomely for doing virtually nothing. Trade unionists are more aware than anyone of such skiving and many are ashamed of it. After all no self-respecting housewife would pay for a plumber, electrician or carpenter to do what she knows she or her own handyman husband can do equally as well, and yet they and their unions insist on these measures being applied in industry. Costs, therefore, rise and so do prices, but productivity remains stagnant. And yet, an equivalent increase in the only effective way in which domestic inflation can be reduced in order to avoid the circulation of further devalued currency.

To reestablish a healthy balance of payments there must be a new conception of labour mobility and flexibility which need not have any connection with unemployment. We understand it in this country today.

In Sweden, for instance, due to cooperation between government, employers and trade unions in regard to retraining and planned redundancy, potential redundancy has been reduced to a minimum, and high living standards and also a respectable and desirable feature of healthy industrial activity. Consequently, the Swedish unions, and the Americans and Germans too for that matter, argue and strike about the division of profit but not about the division of labour. Tories, Liberals and Socialists waken up to the fact that the measures needed to promote industrial efficiency must be the same whichever party is in government? Redundancy there must be, but not necessarily unemployment if government will plan to anticipate the needs of those who must change employment in the interests of the national economy. Yours faithfully, IAIN STEWART, Lochrae House, 53 Drymen Road, Bearsden, Glasgow. October 4.

From Mr David Montagu

Sir, This country faces the biggest economic crisis since 1931. On this, at least, all three party leaders seem to agree. The public at large have probably grown bored of hearing about economic crises and may be unable to distinguish between this one and others we have faced in the postwar years. But there is an overriding and very real difference. This economic crisis is happen-

ing at a time when all the western economies are under pressures and strains, the bulk of which can be attributed to the quadrupling of the price of oil following the Arab-Israeli war, and the resultant galloping cancer of inflation which threatens the fabric of society.

Our particular crisis in this country is exacerbated by our historically low growth rate, and by the failure of politicians since the end of the war to get to grips with fundamental issues, and now we face an election. I submit that the description "make or break election" is by no means an exaggeration.

We must examine the options open to the electorate. They can return a Labour government. For seven months now we have had a government of the "soft option", a government of capitulation. We have had ample demonstration that this government is controlled or dictated by the extreme left, if not within the Cabinet, certainly within the unions. A vote for Labour, if it should result in a Labour government with an overall majority, will mean a further lurch to the left, and a continuation of the Marxist policies which have created our institutions, undermines international confidence in this country, and puts at very grave risk the living standards, indeed the jobs, of our people.

Furthermore, it would mean the election of a government who, by their own admission, state that there is "no meeting point", that only they have the power to deal with our present ills, only they can diagnose, prescribe and cure the sick British economy, and that they will consult, negotiate with nobody else. How much more arrogant could they be, and how much more insulting to the great mass of opinion in this country who would rather see the extremes, both on the right and on the left, and see a government of genuine national unity, steering a middle of the road course?

There is another option. To vote Liberal. Any increase in the Liberal vote is likely to damage the Tories more than the Labour Party. Any of the six million voters who voted Liberal at the last election who feel they achieved anything constructive ought to reconsider their position. They, in fact, more than any other section of society, have created the situation we have to reshape. In a general election at a time of grave economic crisis, those ex-Conservatives who voted Liberal as a protest vote in February must now see what this protest has cost the country in terms of economic advancement and confidence, both internally and externally.

The third alternative is a vote for the Conservative Party. And here let us state unequivocally that at least Conservative ministers have had the humility to concede that mistakes were made in the previous Administration. They are an arrogant talking of "no meeting point", on the contrary, they have expressed the view that they will invite men of good will to form with them a government of national unity to tackle what are our immediate problems and to build for a long-term Britain of which we can be proud. Is it too much to ask that the British people should respond at this moment of grave crisis to the one party which draws its support from across the board, and which has as the most important plank in its election platform the desire to bring the nation together in a sense of common purpose to defeat the very real enemy which is attacking daily—inflation and broken confidence?

For let there be no illusions: those who now denigrate the Tory leadership are painfully ignorant of

the facts. Mr. Heath, more than any Prime Minister in this country since the war, came closer to achieving the miracle of voluntary agreement between the three factors—management, labour and government—in his long and arduous discussions with the trade unions in 1972, and it was a tragedy that those efforts were frustrated by the few on the extreme left who are now the pay masters and the policy makers of our present Government. Mr. Heath's Admonition, in revisiting the production of this country, albeit for a brief period, was the first government since the war to recognize that an essential element in economic growth is the profitability of industry, and it was not his fault, nor the Conservative Government's fault, that commodity prices worldwide, and in particular the price of oil, created a situation whereby the successful outcome of these policies was destroyed.

But there is something more fundamental at this time in the British public have a task themselves before casting their vote on October 10. Are we to go down in history as the nation which accepted the "soft option", the nation which opted out of national pride, the nation prepared to be bribed by short-term, ill-considered handouts for political motives, regardless of the longer term implications? Mr. Healey's juggling with figures in his recent budget, without his reaching the inflation rate without his reaching enough to give the real causes for the improvement which he referred to, is typical of the way the Labour Government are deliberately misleading the public for the purposes of this election. But worse than that, if they were to win the election Denis Healey would be the man that international governments and bankers would have to deal with in the very crucial negotiations which will have to take place.

There is I submit, really no alternative for anybody who believes in social democracy other than to vote Conservative at the forthcoming election. A vote for Labour, or a vote for the Liberals, is a vote to end social democracy in the United Kingdom and to destroy those institutions which form the fabric of our society as we have known it. Yours faithfully, DAVID MONTAGU, 25 Kingston House, South, Ennismore Gardens, SW7. October 7.

From Mr J. S. Bingham

Sir, As a lifelong Tory, I believe it would be extremely damaging to the real interests of my party if we were to win the general election.

First, the crisis is so far developed that any government, Labour or Tory, must be severely unpopular in early 1975. Inflation, unemployment and violence will almost certainly force another general election fast. If the resigning government were Tory, this could destroy the party, particularly if the Liberals maintain their momentum.

Second, defeat of the Tory Party would enable it to reshape its policies and return to its popular roots. And to reshape its leadership too. (Whatever way the leadership was reshaped, the party's cross-class appeal would be immensely strengthened by the inclusion of Mr. Powell.)

For these reasons, Tories will do a disservice to their party if they vote Tory on October 10.

Yours sincerely, JOHN BINGHAM, Chairman Business Studies Consultants Ltd, 42 Park Road, W4. October 8.

many ways both more stable than we are and have been economically more successful. This is so because they have escaped from the eternal civil war of adversarial politics and managed to steer a central course which seeks consensus and compromise.

Party politics in Britain have always had to be abandoned in times of crisis because they are then recognized to be unacceptably damaging to the national interest. This has been true in 1916, 1951 and 1940. We are now told that we are facing a crisis at least as grave as any which has preceded it and, if this is true, our political leaders will inevitably be forced to slink their differences and join together to face the emergency. In this situation, surely it would be right to examine ways in which our method of government can be permanently improved, so that there is no return after the crisis to the present wasteful, unpopular and unsuccessful confrontation between the parties.

Yours faithfully, ANTHONY WIGRAM, Director, Conservative Action for Electoral Reform, 6 Queen Street, Mayfair, W1.

### Weakness of coalition

From Mrs Margaret Fairhead  
Sir, The easy attractions of a coalition government or a government of national unity obscure some fundamental considerations. A healthy democracy requires not only a government representing the majority but also a vigorous opposition continuously at liberty—indeed having the duty—to voice another point of view.

The danger in the appeal for unity lies not so much in the probable result of an indecisive Cabinet, as in its implication that if the government represents everybody, the opposition can only represent the fifth column. When such a "national government" has failed to live up to the high hopes it may have generated—and no government has any chance of solving our present economic problems in the short run—the dangerous vacuum created would give Mr. Enoch Powell the opportunity he must be waiting for. Such an intended result of Conservative and Liberal policies is surely not what either party really wants.

A mature, cricket-playing nation is best served by two strong teams going in to bat alternately and a plague on proportional representation.

Yours faithfully, MARGARET FAIRHEAD, Rose Cottage, Rowney Green Lane, Alvechurch, Birmingham.

## Referendum on the EEC

From Mr James Marchant

Sir, Can anyone explain why Mr. Heath insists, in this desperate hour, on forfeiting the support of many of staunchest Tory conviction? No one can be expected to take seriously all this "unconstitutional claptrap"; it is the violation of our constitution by the first real change in the status of this country since the Norman Conquest that is at issue. Its citizens would be about.

Mr. Heath is even reported as saying that a referendum would undermine Parliament! If that is what he really thinks of the electors' mentality we had better abolish either elections or Mr. Heath.

The fact is that in 1970 as always, a party was elected to govern, and legislators to legislate: neither had a scrap of authority to "pool" their powers or the performance of their duties with anyone else. All the reforms quoted from Maine by Dr. Marshall (and which could possibly be regarded as within the scope of Parliament's mandate; but not to extend that mandate to foreign institutions).

In the last analysis the sovereignty of the Crown in Parliament is but a reflection of the sovereignty of the British people which in the absence of a straight inter-party division only a referendum can serve.

The vapidity of the counter-arguments advanced is so obvious, one must conclude that the only real objection of the Conservative hierarchy to a referendum is the possibility of their losing it.

Yours faithfully, JAMES MARCHANT, 102 Queensway, Bletchley, Buckinghamshire. October 7.

### High unemployment

From Sir Keith Joseph

Sir, My views are grossly traduced in your news columns today. One of your staff correspondents, Mr. Alan Haden, writes on page four that "Michael Foot is scathing about Sir Keith Joseph, whose proposed use of high unemployment as an economic regulator he sees as a cure worse than the disease". Since you were good enough to publish my recent speech in full, and it is the opposite of what I am now reported to have said, I am now reporting, there is no excuse for Mr. Foot's misrepresentation.

I am sorry that a senior member of the Labour Government should have taken part in this rather than argue the case for its merits. But since he has done so in your columns, may I take the opportunity to reiterate my position?

First, I do not believe that unemployment—high or even low—should be used to help combat inflation. Inflation is a monetary phenomenon; no monetary policy would argue that it could, for obvious reasons. Secondly, I argued that the way statistics are presented inflates the extent of "demand unemployment" by a factor of two or three, and underestimates the demand for labour by a similar factor.

Hence the "Keynesian" remedies of the thirties misapplied to the conditions of the sixties and seventies inexorably generated galloping inflation which hurt us all, not least those on whose interests these policies were ostensibly designed.

Thirdly, I did not prescribe high unemployment, or indeed any unemployment, as a regulator or for any other purpose. I warned, that if we carried on with inflationary policies designed to keep several times as many vacancies as there are employable unemployed, we should end by an economic collapse which will bring high unemployment, a highly undesirable result. At the time Mr. Foot among others, who pool-pooled in these warnings; they are now increasingly difficult to ignore. Hence it is I who condemn Labour as a party of high unemployment in practice, just as it was 1929. Will they ever learn?

Yours faithfully, KEITH JOSEPH, 23 Mulberry Walk, SW3. October 8.

### Ulster power-sharing

From Professor Marcus Wheeler

Sir, Mr. Enoch Powell's riposte (October 5) to my colleague Dr. O'Leary is, at best, disingenuous. It defies belief that he can have missed what, to me at least, was inconceivably the point of Dr. O'Leary's letter—namely, the contrast between Mr. Powell on Ulster in 1974 and Mr. Powell on Cyprus (not Ulster) in 1959 (not 1972).

Yours faithfully, MARCUS WHEELER, Department of Slavonic Studies, The Queen's University of Belfast Belfast. October 5.

### A view from abroad

From Mr Peter Harbusch

Sir, Please allow me some remarks from a stranger's point of view about the situation in your country.

Once you have been a nation which had to be admired by all thinking people in their "free world" and the ideals of personal freedom and justice, liberalism and democracy spread all over the world, fascinating the awakening individuals everywhere.

But I think that today's situation in Great Britain shows a frightening decline of this great civilization, if the ideas of your trade unions and the left wing of the ruling party will succeed, it will result in an institutionalization of envy; the ruling of the ochlocrats. Instead of "aristocratic" feelings, the governing of the very best—through the means of a free society—in all parts of public life, there will rule the jealous mind, the prophets of material equality.

If there will not be a rise against this powerful, because simplifying stream of collectivism—trying to satisfy only the most primitive instincts—I fear it will not take long that people will say "Poor New England".

Sincerely yours, PETER HARBUSCH, D 35 Kassel, Esmarchstr. 61, West Germany, September 30.

### Role of trade unions

From Mr John Clunas

Sir, As a trade unionist and member of the Labour Party, I am disturbed by the extent to which a hard-line Marxist analysis of Britain's difficulties is becoming the norm in political comment. The prospect of an all-out conflict between organized labour and the rest of society is dear to the true revolutionary's heart, but the inevitability of just such a conflict is now accepted by many well-meaning Conservatives.

Of course, for the organized labour, the Marxist substitutes the "working class", and for the "rest of society" he says "the capitalist class". The political Right has its own jargon and demagoguery which I find just as sterile and mind numbing. Far too many people who should know better are prepared to propound a conspiracy theory of politics. We are told that "the militants" are successfully orchestrating the destruction of civilized society.

The extravagant criticism of trade unionism which is now so fashionable makes me wonder if certain members of the middle classes are preparing to bomb working people back into the nineteenth century. Of course, the public distaste for militancy and the extent of populist anti-union sentiment makes some sense. Rightists believe that socialists only have to do with a handful of "badgers". It is not as simple as that. The worker who says that he is "against strikes" frequently means that he is against other people's strikes.

I cannot conceive of a situation in which a sustained attack could be mounted against organized labour without an all-out civil war becoming inevitable. Having no taste for the barricades, I find this prospect terrifying.

If enough people pay attention to the prophets of doom, their prophecies will be self fulfilling. This country badly needs a sense of proportion with respect to the role of trade unions.

Yours faithfully, JOHN CLUNAS, 53 Caedmon Avenue, Whetby, Yorkshire. October 1.

### ITN pay settlement

From Mrs Elizabeth Mason

Sir, For double standards of industrial reporting, the ITN News at Ten last Friday (October 4) must take some beating.

First item: Ford pay talks. Social contract broken—biggest ever Ford offer—38 per cent increases—new wage rates detailed. Second item: ITN journalists re-







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# THE TIMES

## BUSINESS NEWS

**Telford**  
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## Demand for bank loans by manufacturers has eased

By Christopher Wilkins  
Banking Correspondent

Pressure on banks to step up their lending to manufacturing companies, which had been building up during July and August, eased back significantly during September.

Figures from the London clearing banks show a drop in sterling advances to United Kingdom residents of £137m to £14,870m during the four weeks to September 18.

This follows a similar fall during August, but whereas the August decline was lower than would normally be expected at that time of year, the September decline appears to have been sharper.

In addition to seasonal factors, demands on the banks were reduced as a result of a shift in short-term money market rates during the period, which made it cheaper for some large companies to fund through these markets than from their banks.

As a result, the only categories to have increased their borrowings were agriculture and vehicle manufacturers.

But while the figures may disguise the true state of borrowing, the low level of advances has served to ease the pressure on the clearing banks at a time when fears were mounting about whether companies would be able to meet their soaring financing needs through the banking system.

For the moment at least it is clear that the banks have considerable leeway to step up their lending activity within the present framework of controls.

The increase in interest-bearing deposits of the London banks over their base levels rose during the month by a mere 0.4 per cent against a maximum permitted without penalty under the so-called "corset" regulations of 1 per cent.

This means that their intake of new deposits has risen 8.7 per cent from the base level so far this year against a per-

### BANK FIGURES

The following are the figures for eligible liabilities and reserve assets ratios of United Kingdom banks released by the Bank of England today:

At mid-month	Eligible liabilities £m	Reserve over 3 months at annual rate %	Reserve assets ratio %
1973			
Sept	27,977	39.9	13.8
Oct	28,788	32.6	13.8
Nov	29,316	30.2	14.3
Dec	30,036	32.9	13.8
1974			
Jan	38,462	25.5	13.9
Feb	30,138	11.7	14.1
March	30,145	1.5	14.8
April	29,935	-7.1	13.8
May	29,633	-6.9	13.6
June	30,038	-1.4	13.5
July	30,837	12.6	13.4
Aug	30,856	17.6	13.4
Sept	30,763	9.9	13.6

mitted ceiling of 12.5 per cent, allowing considerable scope for further expansion.

Last month sterling deposits with the London clearing banks rose by £110m to £20,139m, while those with Scottish clearing banks rose by £42m to £1,965m.

A contributory factor to the increase was the fall in short-term money market rates which made the terms offered by banks on deposits of more than £10,000 look relatively more attractive.

The banks' reserve ratios also remain healthy. From an overall 13.4 per cent in August, they rose to 13.6 per cent, within which the London clearing banks were up from 13.0 to 13.3 per cent.

A notable development during September was a reduction of £125m in the foreign currency deposits held by the London clearing banks. Hitherto the expansion in their total foreign currency deposits has been very rapid, showing an increase of almost a third to £8,739m this year.

Monthly statements, page 24

## Chrysler's first half profits slump to £75,000

By Our Financial Staff

Profitability at Chrysler UK, the British subsidiary of the American motor manufacturer, almost disappeared in the first half of this year. Profits fell from £6.9m to only £75,000, and the company places the blame largely on an industry-wide drop in vehicle sales.

It added that prospects were bleak for the rest of the year. Continuing labour disruptions, the high rate of inflation and the "severe decline" in the United Kingdom car market were responsible.

Chrysler UK, which is now wholly owned by Chrysler Corporation, said that the re-introduction of hire purchase controls and the general economic climate cut domestic industry registration of new cars by 21.5 per cent and those of commercial vehicles by 24.4 per cent in the first half.

Chrysler UK's overall sales of cars and commercial vehicles fell by 21 per cent to 14,100 in the first half of the year. The British market the fall was of nearly 22 per cent, to just under 108,000 units. Exports rose and their value increased from £43m to £49.7m.

However, the "change in sales between domestic and export markets" has been an adverse effect on profitability, as did the unprecedented rise in costs, said Chrysler. Overall sales rose in value by 3 per cent to £166m.

The repeal of legislation on pay in July, "significantly increased the level of the company's 1974-75 wage settlements" and only a part of this extra cost was recoverable. These and other factors were having a "material effect on the company's results for the second half of the year."

7,000 back to work, page 22

## M & S chief attacks 'state interference'

By John Whitmore

Marks & Spencer, which yesterday reported a marginal increase in first half pre-tax profits to £35.3m and a massive £222m surplus thrown up by a revaluation of group properties, has attacked "misguided interference" in the retail trade by the State. The company had decided to scale down its development programme.

"Retailing", writes Sir Marcus Siff, chairman, in the company's half year report, "performs a major role in the chain of production and distribution. We cooperate with whoever Government is in office, but some ministers and their advisers do not seem to appreciate the significant contributions which a healthy and competitive retail industry can make in stimulating the rise in the cost of living. We are not helped in this task by misguided interference."

Sir Marcus says that the Government's criticism of the private sector for its failure to invest in the retail trade is "misguided" because investment is financed out of profits—profits that are subject to politically-motivated restrictions.

In the case of Marks & Spencer the effect of present Government policy has been to reduce substantially the amount of money available for new developments. As a result capital spending this year will be cut back to about £20m from the £28m originally envisaged.

The increase in pre-tax profits achieved on a 22 per cent sales rise to £361m. It has not yet been decided how much of the surplus arising from the March property revaluation (giving a total property value of £444m) should be incorporated in the group accounts.

Financial Editor, page 23

## Disaster is threatening the food trade, Lord Trenchard says

By Hugh Clayton

Disaster threatened the food industry, Lord Trenchard, president of the Institute of Grocery Distribution, said last night. He saw the imminent danger of a flood of bankruptcies which could overwhelm the industry and lead to severe shortages and price rises.

"Of course, chairman of food companies announce higher profits and claim that all is well to reassure investors. What else can they say? That half the profit is bogus, that their cash outflow is appalling and that inflation and price control are eroding their companies' resources and trading capacity?"

"My hope is that greater public understanding of the effect of inflation on industry may lead to a national policy which brings to an end the costly sacrifice of reality at the altar of short-term political impression."

The industry's longer-term view was given earlier by Mr Tim Forrester, secretary-general of the Food and Drink Industries Council.

He said at the council's London headquarters: "We ought to be taking a long, hard look at how Britain is going to be fed."

It's the first time in peacetime for 100 years, probably since the repeal of the Corn Laws, that this present situation has occurred. There is no cheap food left: it's a case of world population outstripping food supply.

It is essential to expand research into new protein sources for animal feeds as well as ensuring secure food processing and agricultural industries at home.

"Profit has wrongly been a dirty word," he said. "With the present rate of food price inflation it has become a mis-

leading definition of non-existent paper wealth. A paper profit, before tax, of £6m on £100m turnover can mean a physical cash loss to a food company."

He said at his group conference in Monte Carlo that he expected further contraction in the wholesale trade this year. "The wholesale sector of the grocery trade traditionally operates on an extremely low net margin, ludicrously small compared with almost all other industries."

"The only solution for the delivered wholesale business is to raise stocks and trim services. My prediction is that for many this will prove insufficient."

Malcolm Brown writes: Britain's economic situation was extremely dangerous but not yet disastrous, Sir Frank Figures, former chairman of the Pay Board, said in London yesterday.

"The risks are grave but they are not comparable to what we faced 35 years ago," Sir Frank said. "The danger is that the international economic scene was more dangerous now than it has been in a quarter of a century."

"It is a very dangerous world. It is going to demand a great deal of caution and good sense to keep it on an even keel."

There were at least four grave and interlocking problems to be solved—the threat of world-wide recession, the balance of payments problem, the nation's propensity to consume more than it produced, and finally inflation.

A warning that the plight of

## Loophole found to avoid ACT surcharge

By John Plender

Financial Correspondent

The advance corporation tax surcharge introduced in Mr Healey's Budget earlier this year may not bear as heavily on industrial liquidity as was expected.

During the past few weeks a number of companies have rearranged their dividend dates. The purpose is to defer payment of the dividend so that the due date for advance corporation tax (ACT) falls outside the fiscal year to March 31, 1975. The ACT surcharge, equal to one-half of the normal ACT payment, has only been imposed for that year.

Fears that industry may face an acute cash crisis in the first half of next year have led to pressure for the relaxation or abolition of the surcharge. It appears, however, that the Finance Act leaves scope for legitimate avoidance.

The opportunity to avoid the surcharge arises for companies that would normally have paid a dividend between now and the new year. ACT is payable 14 days after the quarter in which the dividend payment is made.

A company paying a dividend in November, for example, would therefore pay over ACT at this year's rate of 33/67th of the net dividend on January 14. Because the due date, January 14, is within the fiscal year, the surcharge is applicable. The ACT surcharge would also become payable on the same date.

However, if the same company defers its dividend until January, the due date would be April 14. Since this falls outside the fiscal year in which the surcharge is applicable, the surcharge does not apply. Yesterday the Inland Revenue confirmed that a dividend paid after January 1 would not attract the surcharge.

Whether companies can take advantage of this apparent loophole depends largely on their customers' pattern of dividend payments. Since the surcharge applied retrospectively to dividends paid in the first quarter of 1974, it is possible that many groups will have already paid up on both interim and final dividends. In addition, difficulties over the printing of the Finance Act have probably made tax planning harder.

Savings from dividend deferral are unlikely to be material for industry as a whole in relation to the rising cost of replacing stocks. Nor does deferral actually reduce the tax bill in money terms. Moreover, many companies for whom the liquidity crisis poses a dangerous threat would be unlikely to pay a dividend in the first place.

Deferral is, however, likely to remove the cost of financing the additional advance payment of tax. In addition, the corporation tax bill will be reduced in real terms as a result of inflation.

This is the second time that companies have had an opportunity to reduce the burden of taxation in recent years by adjusting dividend payment dates. Significant concessions of the same kind were also available on the changeover to the imputation system of corporation tax. It is not clear at this stage, however, whether deferral was envisaged by the Government when the Finance Act was drafted.

Financial Editor, page 23

## Norwegian group cancels £160m order for tankers

By Business News Staff

Orders for four huge oil tankers estimated to cost about £160m have been cancelled by the Norwegian Aker group. The vessels were ordered by Mr Hilmar Reksten, the Norwegian ship owner, last year when he upgraded orders for four 250,000-ton deadweight ships into four 420,000-ton deadweight to be built by the Aker group.

The cancellation, which appears to have been initiated by the shipbuilding group on agreement with Mr Reksten, is likely to be followed by other such cases in the next few months.

Since the Arab oil embargo, launched last year, and the quadrupling of oil prices plus plans for reopening the Suez Canal, the oil industry has been forced to reconsider the future of large oil tankers. Before the crisis of

last autumn tanker sizes had risen steadily and order books held by shipbuilders lengthened.

As owners rushed to place orders for higher tanker tonnage, it became clear in the light of last autumn's upheavals, that if all the ships on order were completed, there would be a vast amount of surplus tanker tonnage. Owners have been holding back from cancellations and instead have been seeking to sell their orders on the resale market—but with little success.

Significantly, the Aker group also announced that it was not going ahead with the planned expansion of its yard at Stord in west Norway. This yard was to have specialised in the construction of ultra-large crude carriers of more than 400,000 tons deadweight. Instead, the company said that it would concentrate increasingly on special plant for the oil industry.

## Energy talks with Arabs

Brussels, Oct 8.—The European Commission and the Organisation of Arab Petroleum Exporting Countries (OAPEC) have agreed to have regular contacts to exchange technical information.

This decision was one of the fruits of a friendly first meeting at the commission's Brussels headquarters between Dr M. Arriga, OAPEC's secretary general, and two members of the commission, M. Henri

Simonet and M. Claude Cheysson, responsible for energy policy and development co-operation respectively.

M. Simonet explained the commission's energy strategy and Dr Arriga explained both the mechanics and the industrial and financial projects of OAPEC, and showed keen interest in the commission's research projects, in which he hoped there might be a possibility of Arab co-operation.

## Mr Benn spells out nationalization plans

By Our Industrial Editor

The need for "a major extension of public ownership" and greater use of public funds for direct investment in industry is emphasized by Mr Anthony Wedgwood Benn, Secretary of State for Industry, in an article published on the eve of the election.

Mr Benn stresses: "Large-scale state investment is required in industry and this must be accompanied by full public accountability."

Industrial decline, he argues, had not been reversed by the present system of government assistance to private industry, given at the rate of £2m a day.

"There is now an urgent need to invest government money more directly so as to ensure that the necessary re-equipment and expansion of industry gets under way," Mr Benn adds.

A major extension of state ownership was a main principle underlying Labour's proposals for industry. The other was democratic accountability.

Writing in the official journal of the Technical, Administrative and Supervisory Section of the AUEW, Mr Benn defends his assumption of a long-term system of planning agencies covering top private companies. Trade union representatives would look at corporate plans alongside management and the Government.

"Those who work in a company must be understood to have as much, or more, of a real stake in that company as mere shareholders or even the Government," he explains.

Our proposal is that management in the top companies and nationalized industries should open the books and tell the employees the full facts so that

their views on corporate plans can be put forward before the plans are firmly adopted and put into action."

Government had to be involved in industry if it was to do its duty by the electors. Labour's proposals that key companies should discuss their forward plans with the Government on a regular basis were "obviously sensible". But the success of planning agreements depended as much on the part played by trade union representatives as on civil servants.

Dealing with nationalization, Mr Benn says the creation of a National Shipbuilding Corporation would make possible a start on a long-term plan to regain the industry's lost market share.

As far as the aircraft industry was concerned, "the risks of major contraction are imminent." Full public ownership provided the only framework within which a programme of development could be planned.

National Enterprise Board would extend public ownership. It would be set up to operate with the flexibility of a private company by purchasing subsidiaries, engaging in joint ventures, and establishing new companies.

In investing state funds, the board would be expected to earn profits for the taxpayer.

"Anxiety about unemployment, the fact that important companies are turning to government for financial support, and the effects of inflation eroding the value of wages and salaries, indicate the urgency of tackling the problems of British manufacturing industry," Mr Benn says. Labour's industrial policy, he says, is an alternative to the traditional remedies of merger, takeover and redundancies.

## Forecast of steep rise in public spending

The public sector borrowing requirements this year may rise to £4,850m, considerably in excess of the £2,733m forecast published by the Treasury at the time of the March Budget, according to a special edition of the monthly *Industry Bulletin* published by W. Greenwell & Co, the stockbrokers. The expenditure forecasts were revised to £3,803m to take account of measures introduced up to and including July.

"We are perturbed," the *Bulletin* says, "about what appears to be happening to the Exchequer's financial position."

It is estimated that the effect of inflation will cause the gap between the Government's expenditure and revenue to widen. "Fiscal drag"—or the tendency for tax payments to rise faster than money income because of upward migration through tax brackets—should not help, because it applies only to direct personal taxation. Many indirect taxes are levied in absolute amounts.

Government expenditure, meanwhile, is thought to have risen steeply because of rising wage costs. Greenwells assumes that it will be 25 per cent higher in the 1974/75 fiscal year than in the 1973/74 fiscal year.

Causes for concern, page 23

## How the markets moved

Rises

Ass Pt Cement	50 to 91p
Barclays Bk	50 to 145p
Courtauld	23p to 71p
Distillers	31p to 98p
Bunlop Hldgs	40p to 125p
EMI	40 to 80p
Fisons	7p to 162p

Falls

Bracken Mines	10p to 245p
Brit Sugar	10p to 185p
Cessnock	20p to 135p
Corn Tin	10p to 135p
Dawson & Eric	1p to 12p
Glaxo	13p to 122p
Gretton W'ise	4p to 56p

Equities improved in this trading. Gold-edged securities were quiet. Sterling closed at 82.3845 yesterday, down 15 points on the day. Gold fell by 511 yesterday to \$155.1. SDR—£ was 0.509386. Tuesday while SDR—£ was 0.509386.

Commodities: The London daily sugar price reached a fresh high of 1380 yesterday. Reuters' commodity index fell by 10.1 points to 1,246.9.

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## THE POUND

Australia \$	1.94	Bank buys
Austria Sch	42.50	Bank sells
Belgium Fr	92.75	90.00
Canada \$	2.24	2.29
Denmark Kr	14.40	14.00
Finland Mk	9.10	8.85
France Fr	11.30	11.00
Germany DM	6.25	6.05
Greece Dr	72.50	62.00
Hong Kong \$	11.85	11.50
Italy Lr	1,670.00	1,615.00
Japan Yn	725.00	700.00
Norway Kr	6.35	6.15
Netherlands Gld	13.00	12.65
Portugal Esc	66.00	61.50
S Africa Rd	1.84	1.77
Spain Ptas	16.00	15.20
Sweden Kr	10.50	10.20
Switzerland Fr	7.00	6.75
US \$	2.25	2.15
Yugoslavia Dnr	35.50	37.00

Bank for bank notes only, as supplied yesterday by Barclays Bank International Ltd. Differentials are very rough on currency business.

Interim Report

FPA CONSTRUCTION GROUP LIMITED

Year audited to 31st December, 1973

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BY THE FINANCIAL EDITOR

## Marks & Spencer under pressure



Sir Marcus Sieff, chairman of Marks & Spencer: sales are still buoyant.

A market that has been in two minds over the past couple of years as to what to expect from Marks & Spencer was brought down to earth yesterday with a set of interim figures showing a more than a marginal pre-tax gain for the six months to end September, the bulk of the period taking in gross margin reductions.

Not that there is any cause for disappointment in the sales performance. Overall sales are up 22.5 per cent, comprising a gain of 23.2 per cent on non-food sales and 16.9 per cent on food. But the cut in gross margins, commonly reckoned to have been in the region of 7 per cent prior to the cuts, as taken a pretty full toll at the net level where pre-tax gains are down from 12.5 to 13.5 per cent—though it is worth noting the higher working capital requirements have added £12,000 off investment costs while the property valuation explains a sharp rise in depreciation, up £1m to £3.7m.

The best news at this stage, however, is that sales remain buoyant. Clearly a fair amount of the November budget and Christmas spending, it is assumed that Marks can maintain the first half rate of sales growth and continue to absorb cost pressures over and above the enforced margin cuts, then the group would be adding for £77-£78m pre-tax to the year. In the sense that S should be a considerable beneficiary of inflation accounts, a prospective p/e ratio of 9.4 at 112p may not present quite the premium on the market that it appears. It is still a large premium over an (historic) sector average, while a yield of 8.7 per cent is only attractive if one foresees a further relaxation of dividend controls.

Interim: 1974/5 (1973/4)  
Capitalization £362m  
Sales £361m (£295m)  
Pre-tax profits £35.3m (£35m)  
Dividend gross 3.36p (2.95p)

### Room for manoeuvre

When the Advance Corporation Surcharges was introduced the Budget earlier this year was widely regarded in the v as a gratuitous side-swing industry. It is somewhat of a surprise, then, that the Finance appears to leave legitimate room for reducing the burden of charge by making no provision to prevent the simple expedient of deferring dividend payments.

A growing number of companies have been doing pretty well in order to ensure the due date for Act falls April rather than January, 5 in order to avoid the surge. The savings are not huge, but they are useful.

To take but one example, Universal Stores intends to pay its final dividend on May 3 next year: last year payment was made in September. The surcharge would amount to just under 10 on the "A" ordinary shares (not a deferment—hardly a bonus, but not to be ignored, of course, is that it must in need of cash will enjoy relief since they are no position to pay a dividend. What an autumn Budget for them remains to be seen.

### Attentive cautious

Stan Warehouses' traditional cautious approach appears to have backfired this time. Its growth of 11 per cent is disappointing against Freeman's

to the deconsolidation of Weir Construction.

Fifty-one per cent of this subsidiary has been sold and its transfer to associate status in the interim results has meant loss-elimination of around £150,000 for Weir.

However, operating profits are improved by £700,000 altogether and the remainder of this improvement reflects Weir's relative immunity to price controls, with much of the order book being from overseas or on a tender basis. The higher tax charge to £0.55m against £0.35m is largely due to a higher overseas sales content.

Within this framework the forecast of some improvement in total profits this year looks realistic and earnings (adjusted for higher taxation) could approach last year's top a share of 28p that suggests a modest enough prospective multiple and the yield is around 21 per cent. Meanwhile, liquidity looks reasonably under control with reduced activity in pump after the three-day week helping to reduce the demand on working capital.

Interim: 1974 (1973)  
Capitalization £505m  
Sales £34.4m (£32.2m)  
Pre-tax profits £1.18m (£1.05m)  
Dividend gross 2.09p (2.0p)

### Cons Gold Unsettling factors

During the last few weeks, Consolidated Gold Fields has been prominently in the call option market in addition to a fair amount of institutional buying in front of yesterday's preliminary statement. So the fact that the shares eased 2p to 175p by the close was almost inevitable. Moreover, possible dilution of the 49 per cent stake in Gold Fields of South Africa to only 33.4 per cent if the present offer for Union Corporation succeeds, was another unsettling factor.

Not that one can cavil at the figures which were up to best expectations with profits leaping from £34.9m to £66.2m. Only share dealing, down from £6.17m to £5.2m, recorded a setback. This was, however, struck after allowing £6.8m (£1.8m) for writing down unrealized losses—a sum which pales into insignificance given the accretion in the underlying portfolio during the year to June 30 from £296m to £365m.

GFSA was behind the increase in the associates' contribution from £4.56m to £12.2m, while the closely related doubling in dividend income to £17.4m can be largely related to the buoyancy of the gold and platinum interests. Mining, chiefly iron ore, copper and tin in Australia, was up from £6.31m to £14.5m on the back of higher metal prices although a reaction seems certain this year.

The United States steel interests, incorporated in Azcon, have proved a most judicious group of investment with net income escalating from £4.35m to £21.3m and with more to come. These left the industrial side nearly tripled at £14.2m but United Kingdom construction, marginally ahead at the pre-interest level, ended £2m down at £8m pre-tax.

Probably standing at a 50 per cent discount on current net asset value, Consolidated Gold Fields' shares must remain in limbo until the Union Corporation matter is settled with a p/e ratio of 5½ and yield of 4.7 per cent no great support.

Final: 1973-74 (1972-73)  
Capitalization £188m  
Pre-tax profits £66.2m (£34.9m)  
Earnings per share 32.1p (18.1p)  
Dividend gross 8.27p (7.89p)

### Weir Group Margins have improved

A jump in interim operating margins at Weir Group of over 2 points is not to be sneezed at in these days of generally inadequate cost recovery. Moreover, the company says this achievement is due only partly

## Business Diary: Motor Showdown • Cuvée Curtis

plethora of European motor shows which began last week in London and continues later this year in London and then in Paris, is causing increasingly-conscious motor manufacturers to fall by the wayside. The big names will be conspicuous by their absence from the year's Earls Court show in on—Chrysler, Australian, American Motors and Borg. Borg, in fact, is cutting three shows.

Three years car company rivals have been uneasy sanctioning the expense mounting full-scale exhibits three shows. After all, it is motor shows are not they used to be.

Makers no longer use as a platform on which to sell their latest creations, but an opportunity to plug what is already on offer.

Warner, the big transmission manufacturer, says it does not have the people to man the show, while Chrysler clearly that it would be pointless to exhibit big petrol-hungry cars when fuel economy is important.

Society of Motor Manufacturers and Traders, which runs the London show, says it is not unduly disturbed by unusually large number of dealers from this year's show. Many are component makers who are having their show, Autopack '75, in next March.

The society clearly feels

that the days of the London show in its present form are numbered. Pressure is growing for it to be held every two years, rather than annually, and the possibility of its being combined with the commercial vehicle show is being considered.

SMMT members are also concerned about the prospect of increased subscriptions, which are at present based on member companies' annual turnover. John Beswick, the society's director, will admit only that such a move is "under discussion", but the SMMT must have more funds if it is to increase its services to members.

These services include the setting up of an office in Brussels.

Last year, the SMMT received almost £420,000 in subscriptions, a little less than three years earlier. Income from last year's motor show was just over £257,000, a healthy sum which, if denied the society every other year, could be regained only by greatly increased dues.

Wine waiting

The wine trade's euphoria over bullish prices paid at a sale at Christie's in July gives way to edginess over the outcome of an application, concerning another quite separate cache of wine, being heard in chambers today before a High Court registrar.

In July wine put up for sale by the Bass Charrington Vineyard and expected to fetch about



Lester Borley: English Tourist Board's Scots Welshman.

£750,000 in fact charmed £962,000 out of bidders' pockets. The other cache of wine, on which interest now centres, is estimated to be worth about £850,000 and is already bought and paid for by investors—but is still in the hands of London Wine Company, which went into receivership in August.

The application, to the companies division of the High Court, is therefore to guide the receiver, accountant Leonard Curtis, who wants to know whether he can release the wine to the 300 or so individuals and firms who bought it and have been invoiced by the company.

Curtis sounds almost as cut up about the wine as the people who paid for it. "I'm not fighting a battle with these investors," he said yesterday. "I feel they have a moral right to the wine, much of it bought and paid for a long time ago."

At the same time, he went on, he had been advised by leading counsel that there was "serious doubt" whether the investors owned the wine. Curtis was therefore turning to the court for advice on the quickest way of settling the matter one way or the other.

Curtis has had the cooperation of Nigel Baring, chairman and managing director of London Wine Company since the firm's bankers, National Westminster, called in the receiver.

The application is unlikely to be rewarded with a decision today, although Curtis and London Wine Company's customers are not the only people interested in the outcome.

London Wine Company might not be the last wine dealer to go into receivership, in which case there will be many more bidders or investors whose thoughts must now, lightly or otherwise, be turning to stocks bought and paid for but still standing in merchants' cellars.

Tourism's man

Pat Cook's successor as chief executive of the English Tourist Board is to be a Welshman from

Scotland. He is Lester Borley, who has emerged from a field of about 200 to win this £10,000 job of developing tourism through the board (a statutory body), its 11 regional boards and a cast of thousands in industry and government.

Borley has since 1970 been doing much the same thing north of the border, where he has been chief executive of the Scottish Tourist Board since it came under the wing of the Development of Tourism Act 1969.

Cook, founder-chief executive of the English board, was formerly principal of the British Transport Staff College, and left the ETB to become one of the three ombudsmen of the new Commission for Local Administration.

Borley, however, has been in tourism for 20 of his 43 years. Before joining the STB he worked all over the world with what is now the British Tourist Authority, yet another statutory tourist body—this time, one marketing Britain abroad.

Such a man, it could be argued, would be useful if there were to be a streamlining of the government's tourist organization. And his new boss, Sir Mark Henig, ETB chairman, is campaigning against the proliferation of tourist bodies and for "a national strategy" of tourism.

## Giving an enhanced role to Neddy

These are exciting days for those on the upper floors of the Millbank Tower, just west of the Houses of Parliament.

An election period is normally a time for the National Economic Development Office to keep the public profile at carper level, but this time both main political parties are offering policies that imply the most fundamental reforms of its operations since Neddy was formed in February, 1962.

Of course, neither Mr Ronnie Macintosh, the director general, nor the staff, can say much about the government's choice of administration. Even seemingly harmless public remarks can assume undeserved dimensions of importance when politicians lob quotations at each other.

Yet it is none the less necessary for there to be some debate about the role of a state-financed institution (it costs the taxpayer £1m a year) which struggles to promote economic growth in an inflationary era.

The main Neddy council is the only national forum where Cabinet ministers, trade union leaders, industrialists and a few obligatory "independents" meet at present on a regular basis to talk things over. Discussion is often predictable, rarely bitter, but none the less useful—and occasionally very useful.

After each monthly get-together, it is not unknown for the Confederation of British Industry or TUC members to meet beforehand to review council papers and the agenda—the director general usually holds an "on-the-record" briefing with the press.

Without indicating who said what to whom, he earns every penny of his £17,000-a-year salary by diplomatic handling of some searching questions designed to find out who said what to whom, and more besides.

It is a form of torture, both for the director general and newspapermen.

For his part, Mr Macintosh, a relative newcomer in the job, occupied over the years by such as Sir Robert Shone, Sir Frederick Cather-

wood (the boldest spokesman), and Sir Frank Figueres, has been blooded.

Last December, none other than the then Chancellor, Mr Anthony Barber, expressed his displeasure at press reports, based on the monthly briefings, that the growth target might be unattainable.

Mr Barber's concern, of course, reflected Neddy's emerging role as a possible mediator between management and unions. The so-called Group of Four, which enabled the CBI, TUC and the Civil Service to maintain contact outside the council, had embroiled Neddy in matters other than the medium and long-term growth business.

There is no doubt that Mr Heath, when Prime Minister, found Neddy increasingly helpful in maintaining some sort of tripartite dialogue. Indeed, the attempts to settle the miners' strike at one stage moved on to Neddy premises.

Mr Heath, like Mr Wilson, and their Chancellors, see a potential in Neddy that others may not, unless they are direct participants.

They actually feel there is great value in explaining government policies directly to trade unionists and industrialists.

For their part, both the CBI and the TUC have been keen advocates of Neddy-style planning through economic development committees and appreciate council meetings as a chance to educate each other.

Not that they are unaware that many business and union members feel that Neddy is nothing more than a talking shop.

The constant difficulty for Neddy in performing its statutory duty to examine the economic performance of the nation and to remove obstacles to growth by agreement is not the membership. It has been pretty powerful, given the names who have sat round the table.

The seemingly insuperable problem is that Chancellors must cope with rents and interest rates which are higher than they think about in the naturally think about in the responsibilities of their normal responsibilities.

Under tripartite responsibility, they must form views about the desirable level of activity, and of growth and of prices, or whatever. This requires judging what will be the effects on the worthwhile objectives of economic growth, including stable money and employment.

Opening up Neddy on Heath lines might improve the accountability of the parties in its work to the wider public. After the initial striking of postures (and this sometimes takes place anyway at council meetings) to meet sectional considerations, a more open forum might settle down and eschew the worst features resulting from more public scrutiny of economic arguments.

At the moment ministers get the better of both the CBI and the TUC in present arrangements for discussing economic issues.

For its part Labour is approaching the question of accountability in a different way. The White Paper on regeneration of industry promises immediate discussions with the Neddy council about the best means for implementing the policy of introducing company planning agreements.

Clearly, Neddy is seen as having a new role under Labour. Planning agreements will involve all sponsoring departments for industry in Whitehall and the intention is to draw in trade unions, who already serve on the little Neddy for industry-wide planning.

Both parties seem, therefore, to be looking to Neddy as a means of going further towards what Sir Frank Figueres foresaw.

There is a shift towards fuller accountability outside the area of national economic management. This is expressed by Mr Benn's demands that industry opens up the books to unions and by the Conservative acceptance of corporate law reforms that include the provision of more information.

In Parliament the experiment in opening up various select committees has been worth while and led to all-party findings to which governments

increasingly must pay attention.

A development of Neddy might have its impact on the structure of the TUC and the CBI, which have not developed their own organizations sufficiently to meet contemporary requirements.

It might undertake new functions through associated committees—such as a national council for incomes and prices—where new responsibilities might be shouldered, and providing a source of pressure on government not to stray off a stated course.

But an important consideration is that the Civil Service, the principal source of independent advice and continuity in administration, be given an opportunity to state its views. There are pitfalls in attempting to widen economic management.

The Treasury and the Bank of England tend to state the options to political masters, who sometimes will ignore the best advice but can rely on the loyalty of their permanent staff. A new-style Neddy with access to advice at present given in secret to ministers might undermine the traditional political authority.

Nevertheless, the Treasury and other departments have from time to time presented classified papers or contributed to documents, that go before the existing council. And the trend has again been moving towards more openness, with civil servants coming before select committees dealing with public expenditure and other matters.

Whitehall has been characterized in recent years by the chopping and changing of departments, as well as the opening up and shutting down of statutory commissions and other agencies. This activity is a reflection of the prevailing executive's wish to improve its capability to deal with so many issues which actually arise from the lack of growth which, for 12 years, Neddy has valiantly tried to promote.

The NEDC has suffered a slide in importance and influence which a new effort to raise its status can correct, given the stated TUC and CBI desire to maintain its work.

### Maurice Corina examines the political trend towards expanding the economic forum

Five-year plan, the office still survives, while other agencies and even ministries have vanished. That says much about the attitude of those in positions to do it harm.

Now Mr Heath wants to strengthen the council, including the Opposition of the day in the membership and occasionally televising the proceedings and releasing more information from the Treasury.

Sir Frank Figueres has argued that a sharing of responsibilities—what he called "a move towards tripartite management" of the economy—is required. It will require government, managers and trade unionists to think about things that they do not naturally think about in the responsibilities of their normal responsibilities.

Under tripartite responsibility,

## Cause for concern on the money supply

In their approach to monetary policy most economists emphasize the dependence of the supply of money on the public sector's financial position. If the Government has a large deficit it has to finance this in some way or other.

It has several alternatives. It can sell government stock, usually, but not always, through the "taps"; it can take in sterling on the Exchange Equalization Account; and, finally, it can increase its liabilities to the banking sector.

This last route is more popularly known as "printing money".

If the public sector's financial position is heavily in deficit and the Government is unable to sell government stock or take in sterling on the exchange (because of, say, a balance of payments deficit), the money supply must increase.

This is the background to an important Monetary Bulletin, published today by W. Greenwell & Co, the stockbrokers. Its argument is that the public sector deficit is much above target.

It is impossible, the Bulletin suggests, to dismiss the sharp rises in money supply in the period between mid-June and mid-August as a "statistical aberration".

This case has to be treated with respect because, until recently, Greenwells had been noted for its concern at the deceleration in money supply growth. The stockbroking firm had espoused the monetarist approach, that a gradual slowdown in monetary growth was essential to stabilize the economy.

It has felt that the low rates of money supply increase found in early 1974—of under 5 per cent at an annual rate, whatever measure of money supply were chosen—would inevitably cause a recession.

The focus of anxiety is now

quite different. Greenwells is suggesting that the public sector borrowing requirement in the 1974-75 fiscal year will be no less than £4,850m, compared with an estimate of £2,735m at the time of the March Budget. No apocalyptic conclusions are drawn from this about the consequences for financial markets, but it does not need much imagination to see that, if Greenwells is right, these consequences might be grave.

The cause of the supposed disarray in the Government's finances is inflation. It is used to be undisputed that inflation helped the Government to balance its books because taxes at the margin (ie, taxes on extra income) are higher than average taxes (ie, taxes on all income). However, this conventional wisdom has come under increasing attack.

Besides progressive taxes (where the marginal tax rate is above the average there are progressive taxes, such as those on alcohol, tobacco and hydrocarbon oils, whose real value declines with inflation. There are also a number of taxes which are paid "late"—notably corporation tax (in a narrow sense)—which are paid less when they are paid than when the liability for them is incurred.

More important, perhaps, government spending is pushed up by rising prices. Greenwells makes the interesting point that in 1973 rising prices mostly affected raw materials and finished products, while wage costs were relatively stable.

Government spending is labour-intensive and is, therefore, badly hit when the character of inflation changes, as it has done in the past few months, and wage costs are exploding upwards.

Greenwells estimate that government spending in the current fiscal year will be about

25 per cent higher than in the 1973/74 fiscal year. It is well known—and has, in fact, received much publicity from leading politicians—that several recent wage awards in the public sector have been above the expected level.

The implications are alarming, although there could be some respite from factors which have, until now, been disguised. It is customary for the public sector to incur a substantial financial deficit in the first half of the financial year.

The announcement yesterday that the deficit on the Consolidated Fund between April and September this year amounted to £1,390m, confirmed fears that government spending is at present outpacing revenue.

However, the pattern varies during the year and it varies in a fairly predictable way.

The tax-gathering season, which reaches a peak in the last quarter of the fiscal year, is yet to come. It is possible that one effect of inflation and high interest rates, is to cause taxpayers to delay payment as long as possible.

Also, if deficit months should

show larger deficits, surplus months should show larger surpluses.

It is easy to exaggerate the extent to which the Treasury is losing control. In the 1973/74 fiscal year there was wild speculation that the public sector borrowing requirement would be very much off target. In the end it came close to the projected figure—largely because government departments did not spend money allocated to them and returned it to the Exchequer in March.

The same thing could happen this year. The Government must be aware, at least, should be conscious of the implications of a huge financial deficit.

Although there would be some favourable repercussions, such as the easing of liquidity pressures on companies, there would be a number of problems of potential extreme gravity. If gilt sales are sufficient, as they were in the two months to end-July, the situation would be somewhat eased. But there are limits to the public's willingness to accumulate holdings of government stock.

If the public does not take up

stock, interest rates would have to be raised to make them attractive and there would then be all the consequent disruption of financial markets.

The money supply must be restrained, in the opinion of most observers, because it otherwise fuels inflation. The only remaining possibility is government borrowing from abroad, favoured by Greenwells as the obvious loophole.

But the credibility of borrowing abroad depends on a continuing improvement in the balance of payments. With present rates of inflation it is going to be increasingly difficult for British exporters to remain competitive.

Yet, if the Bank of England allows the exchange rate to drop, keeping prices in line with prices abroad, foreigners will be reluctant to keep those sterling denominated assets which they now hold.

The results of a run on sterling and a large public sector deficit at the same time are almost impossible to conceive.

Tim Congdon

### INTERIM STATEMENT

# Provincial

## Insurance Company Limited

Interim Report for the half year ended 30th June 1974

This report is based on estimated figures which have not been audited. Because of the nature of insurance business the half year's figures should not be taken as giving a reliable guide to the full year's results.

	6 months to 30th June 74	6 months to 30th June 73	Year 1973 Actual
	Estimate £000	Estimate £000	Actual £000
Net written premiums	18,044	15,755	33,393
Underwriting results			
Fire, accident, marine and aviation	1,596	896	1,933
Investment income	1,499	1,222	2,494
Profits of non-underwriting subsidiaries and associate	5	34	65
	3,100	2,161	4,482
Interest payable	122	191	459
Expenses not charged to other accounts	117	139	298
	239	330	757
Group profit before tax	2,861	1,831	3,725
Tax and minorities	1,447	717	1,535
	1,414	1,104	2,190
Contribution to pension fund	—	—	250
	1,414	1,104	1,940
Dividends, paid and proposed	411	332	772
Profit retained	1,003	772	1,168
Earnings per share	16.81p	13.10p	25.99p
LIFE BUSINESS			
6 months to 30th June 74	6 months to 30th June 73	Year 1973	
Estimate £000	Estimate £000	Actual £000	
New gross sums assured	15,434	18,124	33,673
New life premiums—annual	220	296	584
New annuity single premiums	104	1,018	1,500
	236	2,351	2,820

Home underwriting results at this stage while very satisfactory must be regarded as exceptional against the background of present economic conditions and inflationary trends and should not be taken as indicative of the results for the full year.

The overseas results show an improvement compared with this time last year, but Canadian results are unsatisfactory and are expected to deteriorate.

The 1972 marine underwriting account closes at the end of the year and is expected to yield a reasonable profit. The outlook for the underwriting years 1973 and 1974 is not encouraging and the prospect of losses on these years justifies the action taken to reduce marine income until a return to more stable conditions.

The increase in investment income reflects high interest rates and the Group's policy of maintaining a high degree of liquidity.

The Company's exceptionally strong asset position is confirmed by its capital, reserves and investment surplus, estimated at 30.6.1974 to be £24.9m (31.12.1973: £29.4m) thus covering the minimum statutory solvency requirement 6.5 times, and providing the necessary backing for the further development of the Company's insurance business.

ORDINARY DIVIDEND The directors have declared an interim dividend for 1974 of 4.7997p to be paid on the 19th November 1974 to all ordinary shareholders on the register of members on 25th October 1974. U.K. resident shareholders will be entitled to an imputation tax credit of 2.3532p, making the equivalent of a gross interim dividend of 7.1489p per share (1973: 6.50p).

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## Firm trend continues

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# Invisibles

## UK keeps big share in \$150,000m trade

by Tim Congdon

Trade in invisibles has expanded rapidly in recent years. It has kept pace with the growth in visible trade and indeed shown a slight tendency to grow a little more quickly at times. In 1971 total world trade in invisibles amounted to 106,000m, almost 26 per cent of the value of world trade in visibles. At present the invisible total probably exceeds \$150,000m.

The United Kingdom continues to be one of the more important participants in the trade in invisibles and regularly earns a surplus on this component of its balance of payments. In the second quarter of 1974 Britain's gross private invisibles earnings totalled £212m and it seems quite possible that for the year as a whole the total may come more than £10,000m. In the United Kingdom counted for 11.3 per cent of world invisible receipts, compared to 10.9 per cent of world trade in manufactured goods.

Among a number of factors contributing to the expansion of invisibles, the overriding influence has been the emergence of an international economy. The features of such an economy are the high proportions of production or services intended for foreign markets or clients and the high proportion of expenditure on foreign goods. Governments have contributed to this development by a process of liberalizing trade in the 1950s and 60s. Most important have been the reduction of tariffs and the removal of quantitative restrictions on imports: these have stimulated trade in visible items.

The growth of visible trade is an essential prerequisite to growth in invisibles. A large number of visible items are linked to elements of visible trade. For example, business travel and transport are directly related to transfers of funds between countries, and the financing and clearing of trade also causes visible payments across frontiers.

The relaxation of exchange controls, however, more directly beneficial to invisibles. International trade of capital had been

hindered in the immediate postwar era by restrictions on the repatriation of profits and by a variety of limitations on the movement of funds, primarily imposed for balance-of-payments reasons. As the dollar shortage ended, most of these limitations were removed and less discouragement was given to firms wishing to invest abroad.

The result was a swift growth in foreign investment, particularly by those large companies with special skills in their fields known as "multinationals". In the 1950s and early 1960s this investment was predominantly by the United States in Europe.

The City of London was uniquely placed to take advantage of this development and quickly became the banker to United States companies operating abroad. New American exchange controls furthered this tendency and the Eurodollar market was born. But the benefit to the balance of payments from the location of American banks in the City is small, as the profits are attributable to shareholders in the United States.

Nevertheless, the explosive growth of Eurodollar lending in the past 15 years has reinforced the City's status as the foremost international financial centre in the world. The sums lent have not been expanding sufficiently to maintain Britain's share in world invisible trade.

The decline in Britain's share in invisible trade has been roughly similar to the decline in her share of visible trade. In 1964 the United Kingdom received 14.6 per cent of all world invisibles and exported 14.4 per cent of the value of world exports of manufactures, compared with 11.3 per cent of invisibles and 10.9 per cent of manufactured exports in 1971. However, this may exaggerate the weakness of the performance in invisibles because Britain has not been a major importer of foreign labour and remittances between European countries have boosted the value of world trade in invisibles. The invisibles surplus may be endangered in coming years by the large current account deficit which the United Kingdom is running. The reason is that the current account deficit is being financed by a capital account surplus—or, in other words, by foreign countries, mainly the oil producers, investing in Britain. In due course, Britain will have to pay interest on these investments and they will represent debit items on the balance of payments. They will be invisibles and, as such, could cause the invisible sector to move into deficit for the first time in at least 200 years.



This is the principal function of the City. But two outgrowths of its financial role have been the development of insurance and certain brokerage activities.

Insurance is the biggest earner of foreign currency in the City, but the Baltic Exchange and the commodity markets are also important. Although all these industries are expanding, they have not been expanding sufficiently to maintain Britain's share in world invisible trade.

For the time being, however, considerable satisfaction is still being expressed about the health of Britain's invisible earnings. Investment income from abroad has risen dramatically in recent months. The main reasons for this is that 1973 was a boom year for the world economy and profits rose generally by much more than had been customary in the 1960s. British multinationals were particularly favoured because of their concentration in primary produce rather than manufactures, reflecting their early history in the nineteenth century when they sent back raw materials and food to the

"workshop of the world". Although the total turnover of the largest British multinationals (those in the *Fortune* list) in 1973 was less than that of the Japanese and not much more than that of the German producers, investing in them earned much more in profits than either, accounting for almost a quarter of profits by non-American corporations.

One of the main reasons for this high profitability has been the investment advice available in City institutions. An important function of the London merchant banks and stockbrokers has been to direct clients to the most fruitful area for investment.

If, as now seems certain, the world economy enters a recession in 1975, the growth of investment and transport income will be curtailed. It will take much effort from the industries concerned to prevent a serious slowdown in the expansion of invisible earnings. Although the invisibles surplus has been one of the most resilient aspects of Britain's postwar economic history, it will be increasingly jeopardized in the next two or three years by the need to finance the visible deficit and by the imminent world recession.

British multinationals were particularly favoured because of their concentration in primary produce rather than manufactures, reflecting their early history in the nineteenth century when they sent back raw materials and food to the

a Special Report on the City of London

## No room for complacency

by William M. Clarke  
director, Committee on Invisible Exports

Prospects for invisible earnings, whether from banking, insurance, tourism or the autumn outcrop of British plays on Broadway, are as difficult to assess as any other part of the economy. But with a yawning visible trade gap of more than £4,000m our invisible surplus has never been more vital.

Can we still rely on it? A recent survey of prospects conducted by the Committee on Invisible Exports suggested that, despite many restrictions, the overseas earnings of the service industries would, in general, continue to increase during the rest of this year. An overall increase in the volume of invisible trade seems likely, although the rate of growth will probably go down compared with recent years. If a world slump lies ahead, however, some sharp reassessments may be necessary.

Before turning to the dangers and the opportuni-

ties on the international scene, let us look where we stand now. Britain's private invisible transactions grossed over £7,600m in 1973. They are the second biggest in the world and account for nearly 40 per cent of Britain's total foreign income. Not only have they produced an annual surplus for the past 180 years: in 1973 they produced a net surplus of over £2,100m. This private surplus can be divided into three separate categories: the return on overseas investments, the earnings of the City of London, and a miscellany of foreign earnings from tourism and airlines to pop stars and the professions.

The biggest category of earnings is interest, profits and dividends from British investments abroad. These netted £1,290m in 1973, a significant part of which comes from the British oil industry. Next comes the City of London which netted £704m from insurance, banking, brokerage, commodity merchandising and a host of other services to be found in the Square Mile. In the miscellaneous category come the earnings from foreign tourists in the United Kingdom (about £680m), from British ships (about £600m), and from the various professions (about £120m).

An impressive record: but can the surplus be increased or even maintained? Can the City, for example, keep up its remarkable growth record? This is a difficult question, for the City is faced with new challenges and new opportunities at the same time.

Take the difficulties first. New York has just reopened its doors to foreign borrowers on a significant scale for the first time in more than nine years. The Eurodollar market, on which so many of the City's activities have been based in recent years, is said to need strict, perhaps stifling, controls. The climate in which the City operates, with currency values, commodity prices and interest rates rising and plunging in a bewildering manner, is probably the most dangerous for a generation. Above all, liquidity problems both in banks and industry are as acute as they have been since the war.

Yet this is also the time when Middle East opportunities have never been greater. City bankers are thronging Beirut, Cairo, Jiddah, Teheran, Kuwait, Abu

Dhabi and Dubai. The St George's Hotel in Beirut seems to have become a permanent part of the Square Mile. City bankers are busier than ever, helping to invest the oil millions in government securities, property and equities and are even more busy in putting together projects round the world for the more permanent investment of the Arab billions. These are early days and it is too soon to know how it will all work out.

The City may be full of gloom but it remains active and flexible. It has always adapted itself quickly, painlessly and effectively to any new demands. The very lack of heavy handed legislation and central bank control has given the City a flexibility to be found nowhere else. Paper work has always been reduced to a minimum: transactions are concluded quickly, usually by word of mouth. The whole structure of the City can change speedily, because there is no laborious machinery to be taken apart and put together again in a different way.

To turn from these general trends to hard cash and to assess the City's foreign earnings in these conditions is a thankless task. The City's invisible earnings trebled between 1966 and 1973, but generally levelled out last year. Both insurance earnings and banking earnings dropped back from their peak in 1972, the former because of the changes in rates and stiffer international competition, the latter largely reflecting changes in the Eurodollar market.

Meanwhile other parts of the City were still expanding, especially the brokerage earnings of the Baltic Exchange and, to a less extent, the Stock Exchange. On balance, however, the surge of the late 1960s seemed to have lost some of its momentum. If, as now seems probable, world trade is also beginning to falter, the international service trades, too, are likely to be entering a more difficult period.

The City of London came into being largely as a result of the back-up services it could offer to international trade. These services have always grown to meet the demands of ever-expanding world trade; now the fall in world trade poses

What the City of London earns (a) (£m)		1966	1967	1968	1969	1970	1971	1972	1973
Insurance									
Companies		66	78	80	111	111	137	180	153
Lloyd's		20	45	74	105	156	188	188	159
Brokers		23	27	34	42	50	55	55	60
Total insurance		109	150	188	258	317	380	423	372
Banking									
Credit		122	127	178	231	255	247	338	427
Debits		100	96	111	117	128	149	205	316
Banking earnings		22	29	67	114	127	98	134	111
Investment trusts		30	30	35	31	31	31	31	33
Unit trusts		2	2	2	2	3	3	5	6
Pension funds		5	5	5	5	3	4	4	6
Merchandising (b)		30-35	30-35	35	41	44	45	46	73
Brokerage:									
Baltic Exchange		na	na	33	33	47	24	35	52
Stock Exchange		3	4	9	9	9	10	15	18
Lloyd's Register of Shipping (c)		na	na	3	4	5	6	6	9
Other brokerage		-	-	-	14	18	10	17	21
Total brokerage		29	35	51	60	79	50	73	100
City of London (d)		230	286	426	508	604	611	701	704

(a) Source: Derived from sources in the City of London and British balance of payments 1963-1973 (*The Pink Book*), HMSO.  
(b) Profits on third country trade and on reexports, this category includes the earnings of the commodity markets.  
(c) Figures are from mid-year to mid-year and are therefore not strictly comparable with annual figures elsewhere.  
(d) British financial institutions to the nearest £5m (including an allowance for the earnings of the Stock Exchange and Lloyd's Register of Shipping in those years for which separate estimates of these are not available, and other brokerage earnings).

## The Invisible Ones

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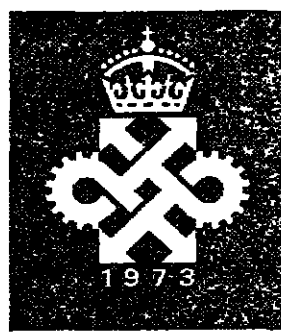
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## Earnings rule blamed for stock market gloom

by Margaret Allen

Set against the United Kingdom's total invisible earnings, those of the stockbroking fraternity look very minor indeed, yet 1973 provided their best figure ever reported. At £17,935,000 it was an increase of some £2m over the previous year—a creditable performance bearing in mind the steady decline in stock market prices during the period.

The London stock market has always had an appeal as an international market to foreign investors and the 1960s were a decade in which business from London developed steadily overseas and brokers first began to set up offices in foreign markets like the United States, Hongkong, Australia and, latterly, Europe. The broking community looked forward to Britain's entry into the EEC as an opportunity of establishing once and for all London's pre-eminence as Europe's, if not the world's, major financial centre. Its efficiency and expert knowledge was well known and accepted and its appeal was certainly stronger than the American market.

Last year it seemed as if expectations would be realised. Business in all areas—commission, arbitrage and issue fees—grew steadily, if not dramatically. The trend continued into 1974 and first quarter earnings of £7,597,000 were at the highest level ever. In a depressing overall stock market picture, overseas business was an encouraging feature. The second quarter of the year, however, told a totally different story. Earnings dropped by more than half as against the first quarter to £3,344,000, reflecting a sharp decline in both commission and arbitrage earnings. Any improvement is expected in the third quarter.

There were several reasons for the setback. One undoubtedly—though it turned out to be only temporary—was the doubling in the Budget of the 1 per cent stamp duty on transfers. This decision was later reversed for overseas business after talks between the Stock Exchange and the Chancellor of the Exchequer.



Trading in London's Metal Exchange, in Leadenhall Street. The exchange provides the world with its main price indicator for metals and still dominates international markets in the handling of four leading base metals—copper, tin, lead and zinc.

The continuing decline in the level of the investment premium they face an immediate penalty of more than 10 per cent on their sales in the sterling area. The problem is more than yet another burden for the poor investor, for it reduced the flexibility of the London market, upon which London had so long prided itself. Much traditional business began to be channelled into other financial centres. No separate figures for turnover to overseas clients are kept, but the second quarter figures plus unofficial estimates by brokers and jobbers suggest that business has at least halved.

This is a serious situation and the "25 per cent rule" has already been cited by brokers Law and Roos as the main reason for closing down business at the end of September. The firm was a leading dealer in South African industrial and mining stocks. The decline in trading in home-based stocks itself has also had implications for overseas dealings. Business simply cannot be conducted

on the same basis as before and the market has become far less free. When there is steady home activity, even if orders were small and for a few hundred shares at a time, dealers were able to quote narrow prices on overseas sterling companies on quite large orders, as long as that business was cushioned by a sound home-based business.

Today the sort of deals which can be handled are smaller and price ranges wider. It may not be long before overseas business virtually disappears as buyers and sellers find they can deal more efficiently and cheaply elsewhere.

London, having once been the automatic choice for rule seems imperative.

Brokers' overseas earnings (£'000)				
	Commission	Arbitrage	Issue fees	Other
1970	5,380	3,136	286	93
1971	6,292	3,238	342	87
1972	8,862	6,323	412	144
1973	8,772	8,727	220	214
1974				
First quarter	3,514	3,968	59	55
Second quarter	2,013	1,261	26	44

## Huge upsurge in commodity trading

by John Woodland  
Commodities Editor

"Commodity markets have been a major influence in London's development as a world centre of commerce and finance"—Bank of England Quarterly Bulletin, September, 1964

Assessing the value of United Kingdom commodity markets to the balance of payments through invisible earnings is difficult but an accurate evaluation is impossible.

In the Committee on Invisible Exports' latest annual report under the heading "What the City of London Earns" commodity markets' contributions are included under merchanting. For 1972 a range of £40m to £45m is given, a reduction of £5m from 1971.

However, with the sharp rise in turnover in 1973 after a scramble for a wide range of commodities, it would be a major surprise if invisible earnings have not greatly improved. Sir Cyril Kleinwort, the chairman of the committee, said in the report: "The City's earnings, at the last count, had already reached £680m and, unless my guesses are wildly wrong, must now be nearing £750m to £800m."

It would not be a wild assumption that a good proportion of the estimated increase can be attributed to commodity markets. With about 70 per cent of the London Metal Exchange's business emanating from overseas it is easy to see that with last year's turnover invisible earnings probably grew substantially.

London's fur auctions also make a solid contribution. Turnover is reported to be more than £100m a year and the export and reexport trade accounts for more than 90 per cent.

In Mark Lane the commodities traded in this

centre also scored a large increase in turnover. In the year ended June 30, 1974, cocoa's volume soared over a third to well above the 11 million metric ton mark while in coffee, with the ending of economic provisions in the International Coffee Agreement, turnover expanded by 238 per cent to 1,761,556 long tons. Sugar increased by 9 per cent over the same period to reach 45,600,000 long tons.

However, the turnover figures themselves can be taken as a sure guide that invisible earnings have grown to the same extent but there can be little doubt that the balance of payments have benefited.

In addition to profits and commissions earned direct, the markets make an important—but indefinable—contribution through traders using the whole range of banking, insurance and shipping services that the City offers. For the overseas commodity trader it is convenient and highly desirable to have these facilities in the same area that they buy or sell their raw materials.

Throughout history London has built up an international reputation of integrity that is second to none. In spite of this some producer countries have set up their own exchanges so that London has lost out as a major pricing medium in a few commodities, namely wool and rubber.

However, the skill and expert knowledge of London's brokers are constantly used and a great number of trades are conducted in this centre even though the material does not come from their service sectors.

London's fur auctions also make a solid contribution. Turnover is reported to be more than £100m a year and the export and reexport trade accounts for more than 90 per cent.

In Mark Lane the commodities traded in this

returns could form an excellent defence in case the government sets up an inquiry into London's commodity markets.

Earlier this year it was suggested that a royal commission should be appointed to look into all aspects of commodity trading. This followed the huge upsurge in prices that took place. Some values quadrupled while several tripled.

Many prominent people, mainly political, said that speculation was the primary factor behind the rise in prices and this prompted the suggestion of a royal commission. This is now generally believed to have been dropped, but an inquiry by the Department of Trade is not ruled out.

TURNOVER IN METAL COMMODITIES London Metal Exchange		
	1973	1972
Copper	4,676,125	2,509,759
Tin	169,260	170,110
Lead	1,341,325	910,800
Zinc	1,324,575	941,375
Silver	644,100,000	388,860,000

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## No room for complacency

continued from page 1

a threat to the City's high rate of growth.

Other areas of invisible transactions share these contrasting difficulties and opportunities. The Middle East oil money, for example, augurs well for the prospects of British invisibles as a whole, because the one thing the Arabs and the Iranians are adamant about is financing a large proportion of these funds must be reinvested in their own country. Each Middle Eastern oil-producing country is building up its own economic organization, quite independent of oil.

This requires technological skill, a British strong point. The British engineering professions—the construction industry, the management consultancies and the medical profession are all firmly established in the Middle East. In fact, the prospects for the professions throughout the world are still good, not only in the Middle East. The Association of Consulting Engineers looked for an increase in their 1974 net overseas earnings of nearly 10 per cent. All the professions now earn about £120m a year for Britain. The con-

sulting engineers are the highest group, closely followed by the chartered surveyors and architects, advertising and management consultants.

Service industries throughout the world will become more important. As economies become more developed and more established, they look to their service sectors for the biggest rates of growth. Put another way, a less developed economy has to move first from an agricultural framework into an industrial one; and an industrial economy has to look for expansion primarily through its service trades.

In the league table of world invisible earners the United Kingdom still ranks second. Only the United States, with its huge economy, has managed to capture about a quarter of the world total in invisible trade. Britain probably has more than 10 per cent, but we cannot be complacent. The share of West Germany and France, each about 7 per cent, are going up slowly but surely; and then there is Italy, which hovers around the 6 per cent mark.

What we must do is to make absolutely certain that we maintain our share of the world total. This means that with world invisible trade growing at about 10 per cent a year, our own invisibles should grow at least at the same rate.

Because of the definitions used by governments throughout the world, government transactions overseas—mainly expenditure—are also included in a country's invisible account. This is particularly so in Britain, where in 1973, for example, the net private invisible surplus of £2,100m was virtually reduced by the expenditure of government spending of more than £1,000m.

This is bound to go on; it also shows every sign of increasing. Not only is our contribution to the European Economic Community budget included in this figure, but also the interest payments on public sector borrowing overseas. These payments are already rising and are thus encroaching on the private invisible surplus—a point to remember when the next monthly invisible surplus is announced.



## City responds to challenge of Arab cash

by David Blake

Until last autumn, the channeling of Arab oil funds into western markets was a fairly straightforward process. The sums involved were insignificant and the Arabs, seeking safety above all, were happy to put their money into sterling and dollar deposits through the conventional vehicle of the City and New York. So special arrangements had to be made to reassure them against the risk of further sterling devaluations, but the process was basically simple.

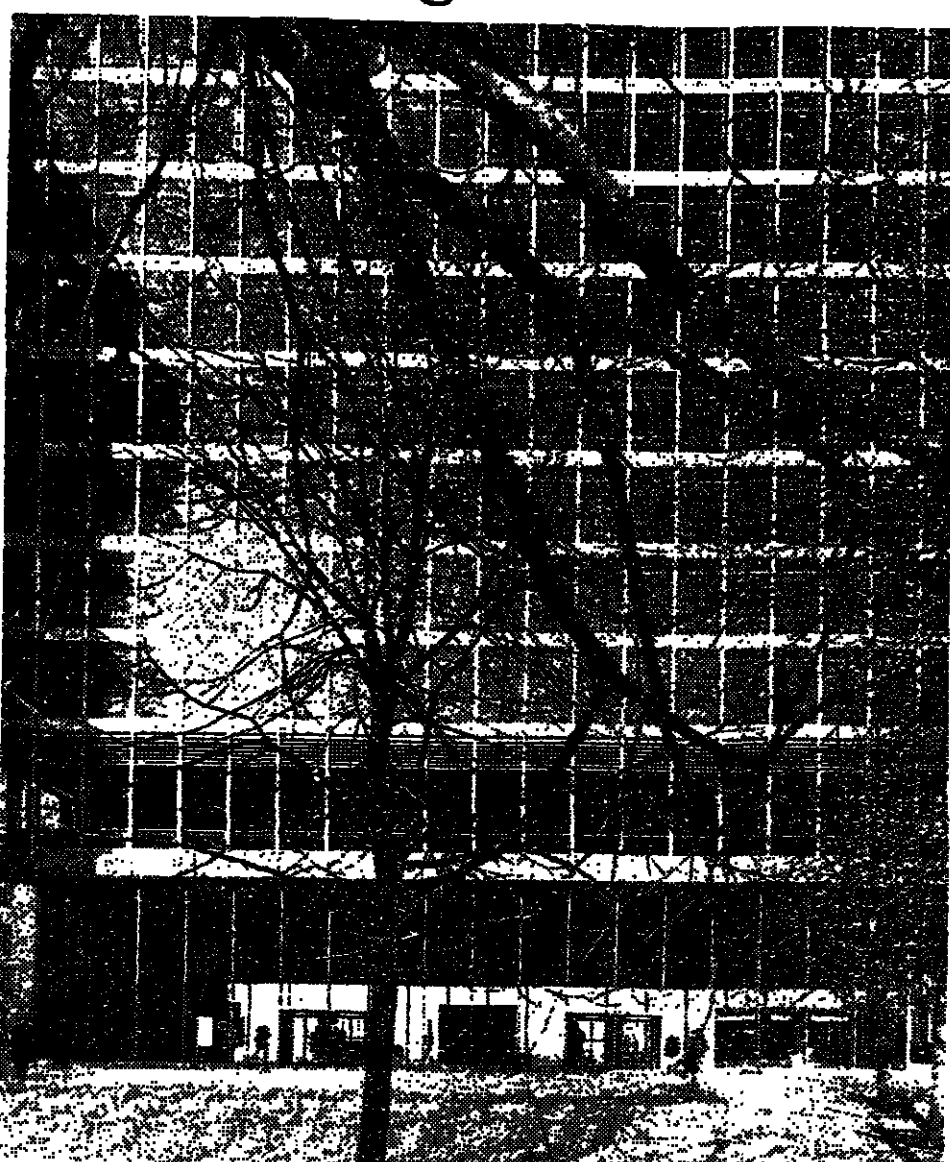
All that changed the day that King Faisal of Saudi Arabia announced a cut in production and a raising of oil prices as part of the Arab campaign to put pressure on western supporters of Israel. In 1974 alone, the estimate of the surplus funds which this will produce is over \$50,000m. By 1985 the World Bank estimates that the total assets of Arab countries which do investment in the West will have exceeded \$1,000,000m or something like 100 times the official value of the gold reserves held by the United States.

Investing in the West comes low on the Arab list of priorities. They are first interested in investing in their own development, and second in the development of Arab countries which do not have oil revenues. But even when this has been done, and when western companies have been partly bought up to gain access to their technology, in the case of Krupp, for example, they will still be large and available.

The City has shown its additional flexibility in responding to this challenge. There is little choice. Kuwait, for example, is likely to re-£1,000m available to re-invest in London this year, making it one of the best single investors on the London scene.

Evidence on where the money has gone is fragmentary, but there is some indication that in the early years at least some of it went into Treasury bills and government stock, two of the traditional vehicles for one wanting a short-term marketable investment. There are signs that inflow of this money have helped to keep up value of the pound in its months.

At short-term investment, with all the risks that hot money which has been in may flow out just as quickly, will not be a long-term solution to the problem of



The Shaikh of Abu Dhabi owns a £36m stake in the Commercial Union building in London.

recycling the funds. There are signs now that the Arabs are willing to invest on a medium-term basis by the purchase of shares and property.

The most dramatic example of this to date has been the purchase of a £36m stake in the Commercial Union building, London's most striking postwar office block, by the Shaikh of Abu Dhabi. Office property has many attractions for investors wanting a safe return on their money. For prime sites, there is little risk of the offices remaining empty, whereas it is quite possible for an industrial company to lose its market.

However, property alone will not provide the kind of balanced investment which the Arab countries will clearly want. There have been some purchases of shares in British companies through the British market, but so far this has had

limited impact. Because of this, the sums of money involved, though useful as far as the City is concerned, have not been of the scale which will be needed to cope with the Arab funds.

This problem assumes greater importance because of the continuing uncertainty which hangs over the Eurocurrency markets, through which much of the money should be channelled. So far banks in the Eurocurrency market have had no difficulty in coping with the funds and there has, indeed, been rapid expansion this year. The market, which is overwhelmingly centred in London, is the vehicle through which much of the Arab money will be expected to go.

There are about 140 banks operating on the Euromarket in London, notably the Japanese, many of them American, having to pay 2 per cent above normal interbank

feature of recent months and some of the biggest, most famous banks are being offered more money than they can take. They are having to turn money away.

Smaller banks, on the other hand, are finding it hard to get deposits. Because of doubts about their stability, they cannot get the money they need except by offering higher interest rates. And in the present climate of suspicion the fact that a bank is offering higher interest rates is sometimes enough to start rumours about it.

It might be thought that the money which is being refused by the big banks would go to the smaller ones. This is happening to some extent through inter-bank loans, but some banks, notably the Japanese, are having to pay 2 per cent above normal interbank rates.

## Banks provide vital advisory service for exporters

by Christopher Wilkins

There is something more truly invisible about the contribution to Britain's overseas earnings made by banks than even the phrase "invisible exports" suggests.

At the fundamental level, manufacturing companies depend on bank finance in varying degrees to support the expansion of industrial processes which in turn allow them to develop export markets. In the sense that the banking system funds the growth of a visible export trade it supplies the oil that enables the machinery of international transactions to function smoothly.

Direct financing apart, the banks provide a vital advisory and support service for exporters. Companies engaged in foreign business frequently rely heavily on the skill of their bankers for guidance on the most appropriate form of finance for their particular needs. They commonly depend upon their banks to see them through the complex documentation that relates to all the processes between the dispatch of a consignment of goods from the factory gates and the ultimate receipt of payment in sterling into company bank accounts.

This can involve the banks, in their capacity as advisers, indirectly in such matters as insurance and shipping, but the major action role takes two forms. The first is the supply of finance to the producer of goods, sometimes linked to the provision of credit to foreign buyers, and the second is the provision of foreign exchange facilities.

One of the major concerns of all exporters is to ensure prompt payment for goods shipped overseas. It is well understood that in the normal course of business time lags will be greater when dealing with overseas customers than when dealing with domestic customers. But, in addition, the competitiveness of international markets has led buyers of foreign goods to expect appreciably longer credit facilities than domestic buyers would normally obtain. Trade creditors might be able to depend on six months credit, while for big contracts of, say, up to £50,000, credit can sometimes extend to three years; up to £100,000 it could be as long as four years.

Delays of this sort can clearly create severe financing problems for the producers of the goods. Particularly over the past two years the cost of interest payments of allowing extended credit has been heavy, and overall borrowings by industry have risen steeply because of ris-

ing working capital requirements.

It is therefore highly attractive to exporters to be able to ease their cash flow problems through their banks, and a variety of different techniques has been developed to meet their needs. The use of bills of exchange or acceptances, which have had particular application in exports, has provided the basis on which merchant banking growth has built in the past.

Factoring companies have become increasingly involved in exports in recent years, offering a full financial service which provides immediate payment of the funds owed by a foreign customer, normally up to 80 per cent on receipt of the invoice. The factor then takes care of debt collection, and often, because of powerful bank backing, is able to obtain speedier payment than would otherwise be obtained.

The outstanding 20 per cent is usually paid later at a time which reflects the average settlement date. In addition, factors will sometimes provide a credit monitoring service, assessing the risk in dealing with overseas customers.

### Crucial question of risk

The question of risk and how to cover it is a crucial consideration to exporters. An indication of its importance is that the Export Credits Guarantee Department now insures some 35 per cent of all British exports. In the year to the end of March the volume of business insured this way increased by nearly 20 per cent to £4,788m. Of this, 83 per cent covered short-term export contracts of less than two years. Of the remainder, 59 per cent was insurance for loans made direct to the overseas borrower by British banks (buyer credit) and 41 per cent was for credit offered by the supplier direct to his customer (supplier credit).

The buyer credit technique is a relatively recent innovation, introduced first in 1961 in the form of guarantees for major projects worth more than £2m. Since then, however, the minimum size of contracts that the ECGD will underwrite has become much smaller, and in the past five years lines of credit have been introduced covering contracts down to as little as £10,000.

The total of bank lending to exporters and buyers of British goods under schemes backed by the department has expanded fast. Last year it amounted to £1,342m, compared to £1,215m in 1972-73,

of which supplier credits were worth £975m and buyer credits £367m.

But it has not always run smoothly for the banks. Since 1972, when the system was reformed under which the banks were to be reimbursed for credits advanced at low fixed rates to stimulate exports, the banks have found themselves increasingly indebted to the Government.

The reform was based on the assumption that the department would never become indebted to the banks, and it was provided with no mechanism for making payments to them. But because of a combination of factors—chiefly the unexpectedly sharp rise in interest rates from the ECGD has become heavily indebted to the banks by nearly £100m.

Relatively little of the direct bank financing of exports actually ends up in the balance of payments statistics on invisibles, however. These are more concerned with the interest, profits and dividends earned by the banks on their overseas operations, plus the provision of financial services and receipts from borrowing and lending in foreign currencies.

The trend from the middle of the 1960s shows that banking has regularly earned a surplus, but in recent years in particular there has been no clear growth pattern. The 1973 net banking contribution to invisibles exports was, admittedly, a good deal higher at £111m than the 1966 contribution of £22m; but against that it was lower than the £114m of 1969, the £127m of 1970, and the £134m of 1972.

The explanation for the uneven pattern lies less in the ability of the banks to increase their own overseas earnings—barring a hiccup in 1971 the trend has been steadily upward—than in the equally rapid increase in offsetting debits attributable chiefly to the expansion of overseas banks' operations in Britain. Thus while credits rose from £231m in 1969 to £427m in 1973, debits rose from £117m to £316m over the same period.

The increases in both the credit and debit sides of the equation owe a good deal to the growth of the Eurocurrency markets. To take the latter first, the rush of foreign banks into London has resulted in a rising proportion of Eurocurrency business being taken out of the hands of domestic British banks.

In 1960 there were some 77 banks in London. Today there are about 250, from 56 countries. They employ 15,000 people and account for 45 per cent of all deposits held in the United Kingdom. For all the deteriorating conditions in

the Euromarkets lately, the inflow of new banks has still not ended. Some 20 new banks have opened in London during the past year, and, despite the dark warnings given by some observers, there has not yet been a notable case of a bank withdrawing.

Many foreign banks have established a strong base of domestic sterling business. American banks have been the most vigorous, some of the biggest opening branch networks in the country and pushing forcefully into areas like consumer finance and factoring.

The United Kingdom banks have not been idle among all these developments. The merchant banks were always to the fore in exploiting the Eurocurrency markets, and although their contribution in terms of actual lending is now fairly small they are still an important force in arranging syndications.

The clearing banks arrived relatively late on the scene, but in the past two or three years their growth has been impressive. An indication of their deepening involvement in the Euromarkets can be seen in the increase of more than £1,000m in the foreign currency deposits of the London clearing banks up to the middle of July. Their enormous financial power was evident earlier this year when, together with a restricted group of associates, they completed arrangements for the largest syndicated Eurodollar loan, worth \$2,500m, for the British Government.

### Long history of operations

The other major respect in which the banks contribute to invisibles earnings is through the operations of their overseas branches and subsidiaries. Some have a long history of international operations. Barclays, through Barclays DCO, which is now consolidated into Barclays Bank International, and Lloyds, through the Bank of London and South America, now consolidated into Lloyds Bank International, have the most extensive foreign retail branch operations of the London clearers. Lloyds also has considerable branch strength in Europe.

Barclays, like National and Grindlays, has branch networks derived largely from the heritage of Empire and the Commonwealth. This likewise was the case with such overseas banks as the Standard and Chartered and the Hongkong and Shanghai.

Emphasis on retail banking of this sort has far from died away. Barclays, Lloyds and National Westminster have all been seeking to establish footholds in the United States, not always to the comfort of domestic banking authorities there.

Barclays, for instance, was rebuffed by the New York State Banking Commission when it attempted to acquire Long Island Trust, although it has since established a presence in New York through the First Westchester National Bank.

Much of the recent effort, however, has been directed away from setting up new branch operations, particularly in Europe. Individual banks have chosen different routes, but the common aim has been a desire to establish a banking presence around the world as quickly and cheaply as possible. Many banks have recognised that to do this by means of ambitious branching programmes in areas already well served would be hugely expensive and, in the long run, unlikely to generate the desired volume of business.

Hence there have been a variety of different links between British and foreign banks, aimed at establishing mutual services for each other's customers. The consortium route has offered one such solution, but often with only limited application. Both Barclays and the Midland, through their respective participations, have become part of more widespread groupings aimed specifically at mutual cooperation, while NatWest has chosen to develop a European presence by taking strategic equity stakes in continental banking groups in France, The Netherlands and Italy.

There are a number of clear parallels between the direction adopted by the commercial banks and the merchant banks. To some degree the reason is the same. The merchant banks are aware that in an increasingly competitive climate their ability to provide financial and advisory services to multinational corporations will depend largely on their having an international presence.

Supplementing this argument is the growing belief among some merchant banks that their prime need is to overcome their own inability to back their financial advisory skills with substantial loans. One way to make good their own shortage of financial muscle is to establish close links with bigger lending banks in such a way that the facilities each can offer to potential customers will complement one another.

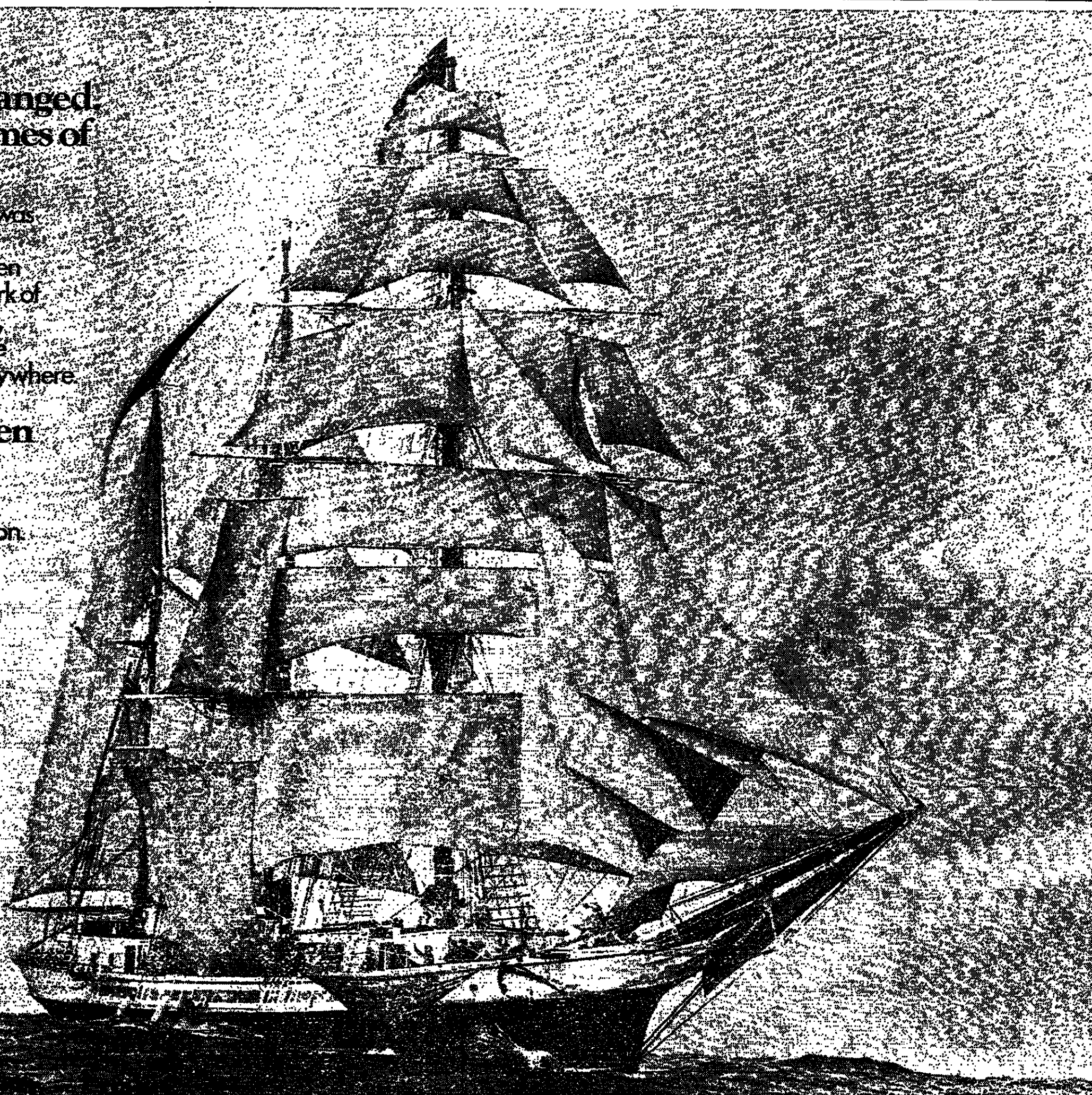
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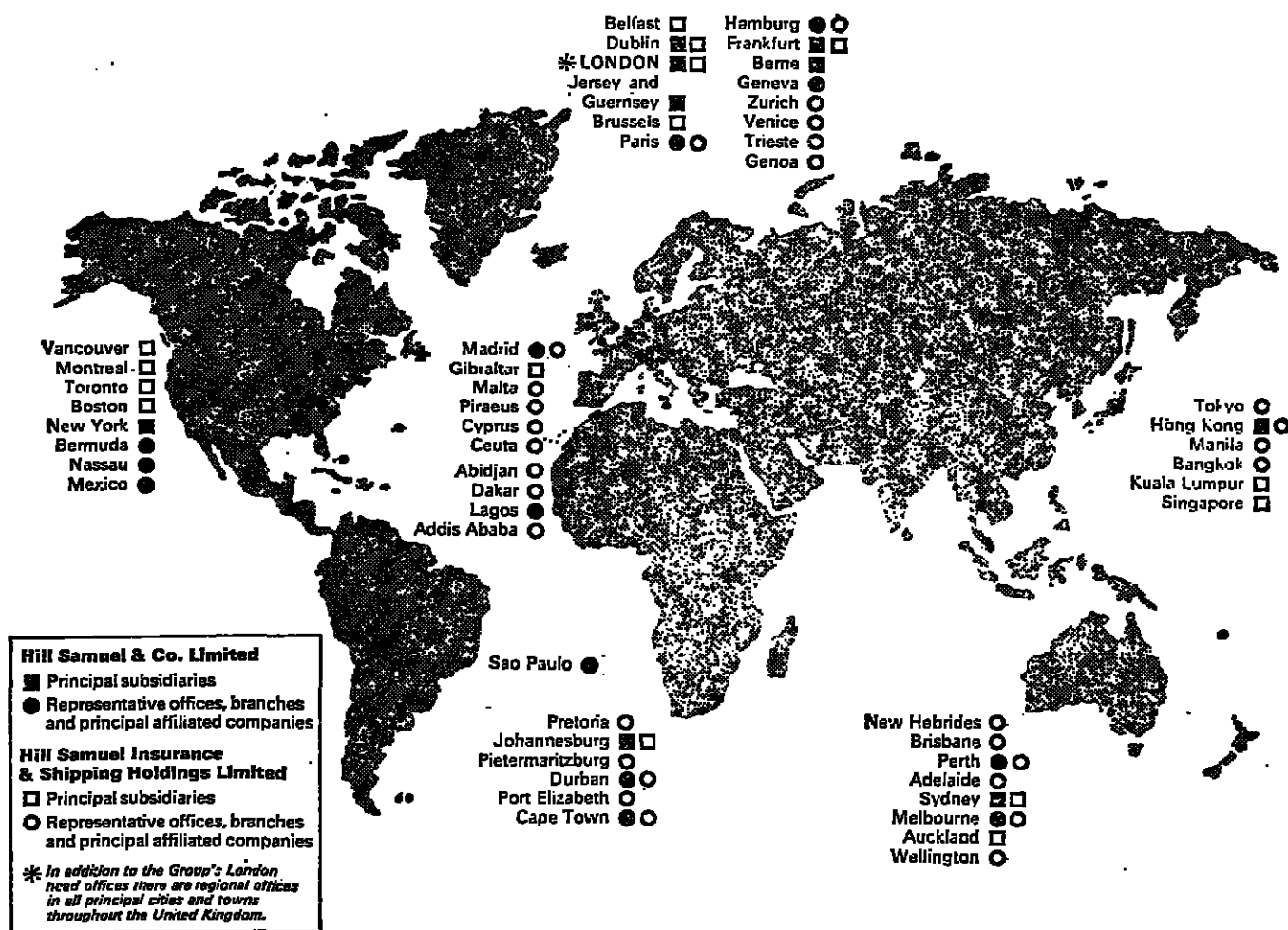
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## Profiting from worldwide insurance

by John Gaselee

The insurance industry as a whole makes a large contribution to the invisible earnings of the country. Naturally, there are quite wide variations from year to year, dependent on claims and experience. Over the past few years, however, there has been an upward trend due to a greater volume of business and higher rates of premium.

The overall figure published for 1973 was £372m. If portfolio income is subtracted from overseas, a figure of £304m is left. It is achieved by the skill of British insurance. This includes the insurance industry in the City and the profits from the overseas branches of insurance companies and insurance brokers.

That £372m is divided up with £159m being earned by underwriters at Lloyd's, £153m by British insurance companies and £60m by British insurance brokers.

Because underwriters at Lloyd's have a three-year account for their underwriting, the figure of £159m represents underwriting and investment earnings averaged over a three-year period. It has been interesting to see how the invisible earnings of underwriters at Lloyd's have overtaken those of the companies. But it should not necessarily be assumed that Lloyd's underwriters will stay in the lead indefinitely, despite the increased volume of business that the market is handling.

The figure for insurance companies represents the profits received by British companies from their overseas branches, subsidiaries and associates, together with dividends and other earnings on portfolios and overseas securities.

The profit made on overseas business written in the London market is also included in the figure. A large amount of overseas business is handled in London for some insurance

companies, which expect to participate in many of the risks to which Lloyd's underwriters subscribe.

The figure of £50m may appear to be rather low for the earnings of insurance brokers. In fact, this is a massive figure, bearing in mind that the bulk of it is earned by a few firms of Lloyd's brokers. It represents the commission and brokerage retained by brokers after they have divided their brokerage with producing agents overseas.

It is not always appreciated that, of the brokerage allowed by underwriters, a British broker is seldom in a position to retain all of it. Some has to be passed to the overseas agent responsible for sending the business to London. Brokers have also run up accounts in travelling the world in search of business and such expenses have been deducted before arriving at the net figure.

Insurance brokers play an important part for the country's invisible earnings in Britain are unlikely to not only in the brokerage and commission which they earn, but simply by bringing business to the London market, thus enabling underwriters at Lloyd's and British insurance companies to participate. All business at Lloyd's passes through the intermediary of a firm of British brokers. Three quarters of the business at Lloyd's originates outside the United Kingdom with about half coming from the United States and Canada.

Insurance brokers estimate that, on a conservative basis, about £1,000m a year of business is brought by them to the London market from overseas. Claims and expenses, together with outward reinsurance premiums, have to be deducted to arrive at the net contribution to the balance of payments. It gives some idea of the scale of operations of the City's international insurance brokers.

Many insurance brokers are truly international in that they are not concerned solely with bringing business to the London market. A broker may often place business for an overseas client (or an overseas insurer requiring reinsurance) elsewhere abroad without the business coming to London, although the commission comes to the broker in London. Thus, the business handled to earn commissions amounting to £50m will not have been placed exclusively in the London market.

As far as possible, these figures have been quoted on a net basis in that invisible imports have been deducted. But the profits earned by overseas insurers in Britain are remitted to their head offices abroad have not been deducted from the figures of invisible earnings. This is because the aim has been to look at the contribution of the British insurance industry rather than insurance in general in Britain.

In practice at present profits remitted overseas by foreign insurers operating in Britain are unlikely to amount to much. Admittedly, over the past few years, an appreciable number of overseas insurers have set up offices in Britain or are having business written for them in the City by underwriting agencies.

But, because of the difficulties in getting established, the type of business which they are shown and the general competitiveness in the market in which they participate, the amount which such companies remit to their head offices is likely to be negligible.

An important deduction which has been made from the quoted figures for Lloyd's and the companies represents reinsurance placed by underwriters and insurance companies with overseas insurers. Particularly in the past, many insurance companies have written treaty reinsurance with overseas insurers.

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insurance tends to provide high volume of business but a low underwriting profit. While the possibilities for investment are often attractive to insurance companies underwriters at Lloyd's, it is their premium income which is the chief interest in an underwriting profit, rather than a return from investment. Also, not very much mutual action can be expected from Lloyd's underwriters in view of the limitations of the reinsurance that they may place outside the market.

In many ways the London insurance market is something of a clearing house for certain classes of insurance. The business comes to London and is written by insurers. It is then reinsured elsewhere in the world with London insurers retaining a commission on the business.

With aviation insurance it is the companies, rather than underwriters at Lloyd's, who are responsible for the bulk of such outward reinsurance. The contribution of the underwriting profit on the business retained by British insurers, the broker allowed to the broker on the business written, and the commission retained by the insurers when placing the reinsurance overseas.

The claims experience of British insurers can be more volatile than the actual experience on ground. This is because much of the reinsurance business placed in the London market is on an excess of loss basis. In other words, overseas insurers pay premiums each year but recover little or nothing in claims where their own experience is quite light.

But a deterioration in their own experience will result in reinsurance claims being met from London. The aim of such reinsurance is to even out the peaks and troughs of the direct writing companies. In turn, reinsurers can be faced with significant fluctuations in their own experience.

## A mixed welcome for tourists

by Ross Davies

The City of London—not the 32 boroughs of the Greater London Council, but the Square Mile within the Roman and medieval walls—might have been made for the tourist. The City, however, remains to be convinced that tourists were made for it.

Heraldry buffs could argue that the arms of the City proclaim an affinity for people from somewhere else. The heraldic description of the arms is: Argent, a cross gules, in the first quarter a sword in pale, point upwards, of the last. Crest: a dragon's sinister wing argent, charged with cross gules. Supporters: on either side a dragon with wings elevated and endorsed argent, and charged on the wing with cross gules.

The cross is that of St George, who although later declared the patron saint of England, was martyred at Lod, in what is now Israel, while the sword is that of St Paul, patron saint of the City, but originally from Tarsus, in what is now Turkey.

It is harder to place the dragons, for although the City was at one time frequented by bulls and is now thronged with bears, a sighting of a dragon has not been reported for some time. The Chinese make a big thing of dragons, of course, although the Corporation of the City of London prefers to ascribe its dragons to a badge of the Tudors, a family from Wales.

However far-flung, though, the allusions in the coat of arms may be, it is the motto, *Domine dirige nos*, that clinches the matter. This is translated by the corporation into the City of tourists everywhere—O Lord guide us.

Anybody wishing to mull over these or kindred points can quite happily do so within the City, at the College of Arms, Queen Victoria Street, between 10 am and 4 pm, Mondays to Fridays.

No mention of this, or of the college itself, is to be found in the corporation's official guide, *The City of London*, unless you count the mere name of the college on the street map at the back.

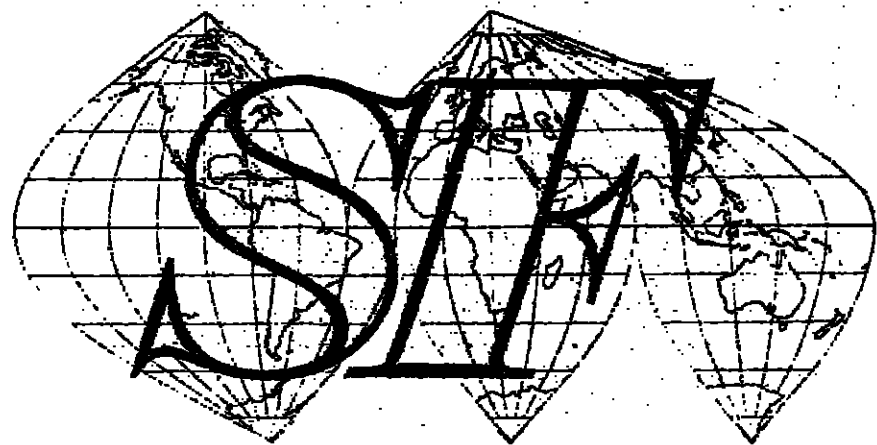
On the other hand, the guide does mention the Tower of London which is not in the City, although as the corporation seems to think, quite clearly of the City. But that is the City for you. It is primarily a place in which to work and to make or lose money, rather than a place to live (there are about 400,000 people there in the day, but only 7,000 live there).

The City, however, has not quite come to terms with the explosion of interest in historic Britain brought about by the 1968 devaluation. It in turn had had to bring about. They have yet to see the justice, for tourists, of the remark made in Jerome K. Jerome's book about some tourists, *The Men in a Boat*: "I like work: it fascinates me. I can sit and look at it for hours."

The corporation does not have much idea how many tourists pass through the City in an hour, a day or a year. There is a tourist information centre at St

continued on facing page

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## kill and adaptability maintain shipping supremacy

Michael Baily  
Shipping Correspondent

Although Britain is no longer, in terms of size of fleet, the leading maritime state, London remains the shipping capital of the world. It owes this to a unique blend of inherited skill and adaptability to change. If either deteriorated London would soon be superseded. There is little sign of this.

The city's supremacy is based on the fact that the best part of a century ago, approximately from 1850 to the 1950s, it was the largest maritime state, with an ascendancy crushing that at its about the turn of the century. British interests and British men built about half of the world's merchant fleet.

It was still the measure of ascendancy in ship-owning, Monrovia, or Tokyo, could justly be said to be the world's ship capital, since Liberia has 20 per cent of the fleet, and Japan more than 13 per cent whereas Britain's share has sunk to 11 per cent, little more than that of Norway. The practice is not as it was then.

Importance of a ship-centre springs above all from the influence it has on the services it and in these respects aims of Monrovia are able, and of Tokyo far more so. London, however, established in the last century the habit of leadership together with the of skills and services owner needs. These have endured

despite Britain's diminished status as a world and shipping power, the weakening of sterling as an international currency, and the vigorous promotion of rival centres for nationalistic purposes.

The most important services a shipowner needs are banks to lend him money to build ships, brokers to find him builders and work for a ship when built, and underwriters to insure it. In the City banks, the Baltic Exchange, and Lloyd's and the company underwriters, London has the leading institutions in each one.

Of the three, the banks have been most challenged from abroad in recent years. London has a long history of skill in shipping finance, but this was until recently fairly limited. Among British owners there was a strong tradition of self-financing, which persisted until well after the Second World War. Moreover, British owners were slow to move into the large tankers, bulk carriers, and other specialized cargo ships to which the new postwar techniques of ship financing were most applicable.

Therefore in the 1950s, with the emergence of mainly Greek, Liberian and Norwegian super-tankers making ship financing a more complex affair, it was to New York that many owners turned for backing. There were funds there for investment at competitive rates, and a keen interest in putting them into shipping. At a time when belts were still tight in London, and British owners were still engaged in rebuilding their prewar fleets along fairly customary lines.

But London did not

remain idle, and helped by the United States interest equalization tax in the sixties (which reduced the attractions of New York and drove many American banks to expand outlets in London) succeeded in harnessing traditional skills to new situations in a way that once again ensured its ascendancy.

With today's big ships costing £30m or more, and as many as five or so being ordered at a time, huge and complex financing arrangements are called for which London is admirably equipped to organize.

In finding employment for ships and arranging for their sale and purchase, London's Baltic Exchange has no serious rivals. Founded in the mid-eighteenth century, it now has more than 700 companies and nearly 3,000 individual members engaged in buying, selling and chartering ships, chartering aircraft, buying and selling grain, oil and oilseeds.

Ship chartering has changed radically in recent years, away from single ship charter on a time or voyage basis (though this still provides the staple business on the Baltic) towards contracts of affreightment under which large quantities of oil or other homogeneous cargo are moved over a period by an owner on his own or with associates in the new-style shipping consortia. Many of these deals are negotiated directly between the parties concerned, away from the floor of the Baltic in St. Mary Axe, but always against the background of the market situation established there. Some 60 to 70 per cent of world shipping is thought to be handled at

one time or another at the Baltic Exchange.

The air-broking side is one of the newer activities of the Baltic, and one that has registered healthy growth in recent years, though the brokers there, about 50 at present, must have their wits constantly about them to keep ahead.

The air charter market really took off after the war, when large numbers of small operators, many ex-Servicemen like those who set up as lorry operators after the First World War, had capacity to offer but little idea of the market. Baltic brokers with experience dating from the 1930s, when several shipping groups took an interest in air business, stepped in to supply the need and quickly established themselves as a force in air freightage.

The rapidly growing practice of flying ships' crews around the world (usually in groups of about 50—a suitable number for the aircraft generally available at that time) gave a further boost; and the Baltic had a substantial share in the post-war boom in package tour air charter.

As on the shipping side, much of the early air business carried on by Baltic brokers has since gone outside for direct negotiation between the parties concerned; but the Baltic is still expanding its air business steadily, largely in air freight in which the world market has been expanding 10 to 20 per cent a year for the past two decades; and in individual charters on the passenger side.

Outside the commercial scene, London is equally preeminent in the diplomatic and regulatory side of shipping. It is the home of

the United Nations maritime arm (the Intergovernmental Maritime Consultative Organization, IMCO); and the United Kingdom Chamber of Shipping is regarded as the natural leader of international shipping organizations such as the International Chamber of Shipping and the Committee of European National Shipowners' Associations.

London remains the heart of the British shipping industry, and the home of various foreign shipowners who find it attractive to base their operations there. Among these the London Greeks are the most numerous and important. They looked for a time like being driven out, after their many years of fruitful sojourn here, by the Chancellor's proposal in his spring Budget to tax overseas earnings whether remitted or not. After strong representations from the shipping and other City interests the proposal has been modified, and it is hoped that the effect originally intended will not now materialize.

Britain's own industry, though lower down the world league table in comparative terms, has continued to expand in actual terms with some 28 million tons afloat, the largest total on record. Encouraged by generous fiscal aid in the late 1960s, British shipping has not only been expanded but also diversified greatly in recent years, and has undergone substantial internal transformation by means of mergers, consortia and the like. Its contribution to the balance of payments was £767m last year, the highest of any industry, and its direct export earnings £460m.

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## is quiet grows—but Eurodollars still a main prop

1 Congdon

The dollar market has year full of both challenges and triumphs. Rapidly continued up to quarter, but in the months conditions have been much less favourable. The number of Treasury bond issues has been down on the average level.

The significance of this is that the dollar market is in London its beneficiary. The United Kingdom's share is small; most of

the banks involved are backed by larger United States and European banks and the profits are, therefore, attributable to foreign shareholders.

British banks are also active. For example, leading merchant banks are often shareholders in the consortium banks which have multiplied in recent years. But the clearing banks have been notably reluctant to participate in Eurodollar syndicates.

The two main advantages are indirect. The first is that the United Kingdom banks in the Eurodollar market, even if owned en-

tirely by United States shareholders, are increasingly employing local staff. This is arguably, encouraging able manpower from working with British organizations and is a drawback to the concentration of Eurodollar lending in London. On the other hand, employees with Eurodollar banks are usually much higher paid than their counterparts in British banks and this is obliging the British banks to improve methods in order to compete.

The second advantage is that the emergence of a strong banking community in the City buttresses the traditional financial and commercial institutions which have operated for many hundreds of years and enables them to maintain their leadership over rival institutions in other centres.

The reason is that banking and other activities are often complementary. For example, a Eurodollar loan to build a bridge in Peru may be accompanied by two insurance policies, one against structural defects and the other against default by a local company. Both the insurance and the loan can be arranged in London.

The departure of banks active in Eurocurrency lending would, therefore, be highly damaging to the City. Fears that such an event, on a cataclysm of comparable proportions because of the collapse of some of the less successful concerns, have grown this year.

There have been a number of reasons for increasing disquiet. The first and preponderant one has been that, with the slowdown in world trade and the prospect of a serious recession, it might turn out that some of the loans made in the early 1970s would prove imprudent. In particular, those made to commodity producers might be difficult to repay because a decline in commodity prices would render the repayment schedules and in-

terest charges too burdensome.

There has been little sign of this until now, partly because the fall in commodity prices, while significant, has not been so severe as to undermine the financial position of any of the developing countries. This may change, however, and already some countries are facing a difficult situation. For example, Brazil's trade deficit in the first eight months of 1974 amounted to almost 80 per cent of its exports and capital imports cannot indefinitely bridge a gap of this size.

The second has been the repercussions of some of the events of 1973. That year and the first quarter of 1974 was a period of extraordinarily rapid expansion for the Eurocurrency market. In part this was both natural and desirable. The fast growth of the world economy must have boosted the profits of United States companies operating abroad and these would normally be deposited in London to provide the base for further Eurodollar lending. No doubt this happened to a considerable extent.

But there were also some special factors. A large number of Japanese banks decided to make their debut in the market and immediately emerged as the most competitive and aggressive bankers seen in the City. They were instrumental in pushing margins over interbank rates on Eurobond issues to low levels.

However, these tactics, designed to capture a large share of the business, were not so much competitive as imprudent. When interest rates rose in 1974 the Japanese banks found themselves in great trouble as their slim margins left them little leeway to raise their interest payments to depositors. They therefore had to borrow from other banks, often at a rate 2 per cent over interbank, or from the Japanese central bank.

But, although heavy losses

have clearly been incurred, no bank has so far been declared insolvent and certainly no American or British concern has gone bankrupt because of its Eurocurrency activities.

This, however, has not been true of several European banks involved in foreign exchange dealing. The third cloud over the market has, indeed, been the voluntary or enforced liquidations of some West German banks, particularly Herstatt. Foreign exchange losses are distinct from banking losses and arise from misjudging future currency movements, not from a faulty evaluation of risks.

The significance of Herstatt and its aftermath is that, if any of the failed banks, for example, had issued a dollar certificate of deposit to finance its Eurodollar lending, after liquidation it would be unable to honour its CD obligation. There are a number of linkages like this between foreign exchange and banking activities, but it seems improbable that any of them are sufficiently important to jeopardize the stability of the Eurocurrency market.

The final problem has been a decrease in the amount of business. Fewer bond syndicates have been formed, largely because potential borrowers have had to revise their expectations of future economic performance downwards in the wake of the oil crisis. Also some frequent borrowers of the past five years no longer have to resort to the market. These are primarily the big oil producers, such as Iran, Algeria and Indonesia.

Despite these problems the Eurocurrency markets have survived and there is no reason for thinking that they will not continue for many years. There has been a surprising amount of market alarm about the impact of the rise in oil prices and the resulting flows of dollars and sterling between financial centres.

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## Mixed welcome for tourists

continued from facing page

Paul's, however, and that handles more than 450 inquiries a week, during August, while even the exhibition of the corporation's doings at the Guildhall—scarcely the most colorful of spectacles—attracts about 100,000 people a year.

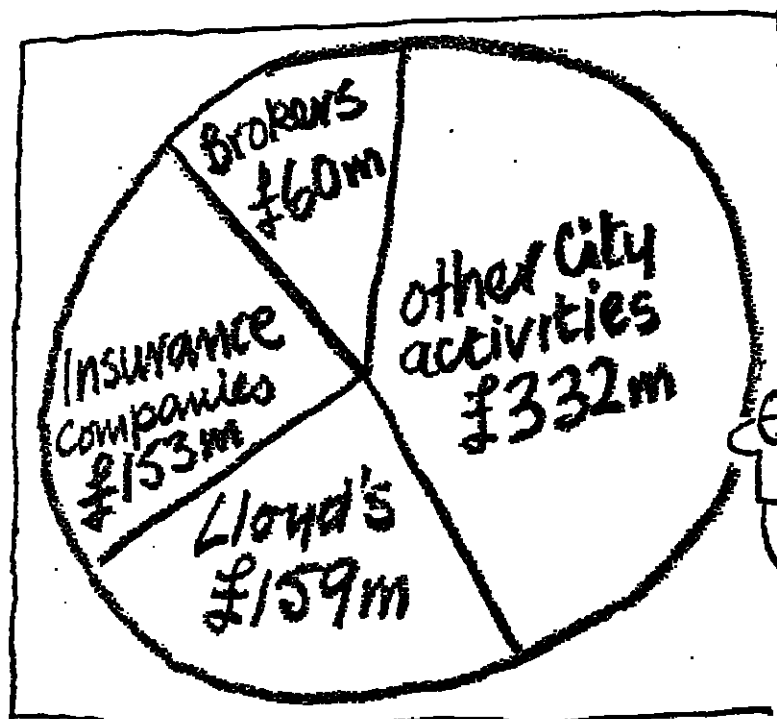
These are, of course, mere pointers to much larger numbers of tourists who go to the City, even if it is merely to stare at the exteriors of the Bank, the Stock Exchange or Lloyd's. The London Tourist Board reports lively interest in the City from callers, half of them from overseas, to their information services.

Although the City likes tourists in the general sense, it is still not quite at home with or to the individual article.

Thus, 18 floors up in one of these dispiriting new buildings, the City's Committee on Invisibles, Exporters tabulates with satisfaction each year the growth in tourism's invisible earnings—from £282m in 1968 to £551m in 1972—while, below, it is really rather a case of every tourist for himself.

True, there are internationally famous landmarks such as St Paul's or the Monument, into which you can wander at most times. Elsewhere, however, the City is keen to remind you that it is really terribly busy; perhaps you'd care to make an appointment.

## This picture of the City's invisible exports is not entirely clear.



That's because nobody can quite tell just how much Britain's Insurance Brokers contributed in 1973. The £60m is certain. It's the amount directly attributed to them. (And it compares with £58m in 1972 and £55m in 1971.)

The hard part is to see how much of the contributions of Lloyd's and the British Insurance Companies also came through Brokers.

Certainly, it would be large. Exactly how large, we cannot say. The important points are that our Insurance Brokers, year by year, win increasing sums from overseas for the British Insurance market. And that the City as a whole earns enough abroad to make a sizeable dent in our current account visible trading deficit.

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